



**Auditor of State  
Betty Montgomery**



VILLAGE OF HOLLAND  
LUCAS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Holland  
Lucas County  
1245 Clarion Avenue  
Holland, OH 43528-8394

To the Village Council:

We have audited the accompanying financial statements of the Village of Holland, Lucas County, (the Village) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, Village Council, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 15, 2003

**VILLAGE OF HOLLAND  
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$1,228,481		\$190,000	\$410,363	\$1,828,844
Special Assessments	4,674		176,787		181,461
Intergovernmental Receipts	114,584	\$99,779		340,748	555,111
Charges for Services	7,136				7,136
Fines, Licenses, and Permits	50,242	565			50,807
Earnings on Investments	77,882				77,882
Miscellaneous	100,392	3,210		1,427	105,029
Total Cash Receipts	1,583,391	103,554	366,787	752,538	2,806,270
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	539,919				539,919
Public Health Services	7,060				7,060
Leisure Time Activities	16,384				16,384
Community Environment	50,158				50,158
Basic Utility Services	21,898				21,898
Transportation		230,886		133,074	363,960
General Government	327,243			1,541	328,784
Debt Service:					
Principal Payments			212,936		212,936
Interest Payments			146,424		146,424
Capital Outlay	121,130	4,549		1,112,185	1,237,864
Total Cash Disbursements	1,083,792	235,435	359,360	1,246,800	2,925,387
Total Cash Receipts Over/ (Under) Cash Disbursements	499,599	(131,881)	7,427	(494,262)	(119,117)
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	29,212	227,590		454,710	711,512
Transfers-Out	(227,590)	(29,212)		(454,710)	(711,512)
Other Uses	(47,990)		(1,449)		(49,439)
Total Other Financing Receipts and (Disbursements)	(246,368)	198,378	(1,449)		(49,439)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	253,231	66,497	5,978	(494,262)	(168,556)
Fund Cash Balances, January 1	2,700,480	319,834	58,902	892,509	3,971,725
<b>Fund Cash Balances, December 31</b>	<b>\$2,953,711</b>	<b>\$386,331</b>	<b>\$64,880</b>	<b>\$398,247</b>	<b>\$3,803,169</b>
Reserves for Encumbrances, December 31	\$161,470	\$50,086		\$163,907	\$375,463

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF HOLLAND  
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$1,253,374		\$190,000	\$424,094	\$1,867,468
Special Assessments	3,199		168,135		171,334
Intergovernmental Receipts	162,013	\$103,122			265,135
Charges for Services	6,077				6,077
Fines, Licenses, and Permits	69,440	1,107			70,547
Earnings on Investments	146,386			218	146,604
Miscellaneous	97,822	3,494		722	102,038
Total Cash Receipts	<u>1,738,311</u>	<u>107,723</u>	<u>358,135</u>	<u>425,034</u>	<u>2,629,203</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	597,863	9,669			607,532
Public Health Services	6,823				6,823
Leisure Time Activities	23,830				23,830
Community Environment	57,019				57,019
Basic Utility Services	30,122				30,122
Transportation		226,155		43,400	269,555
General Government	287,681			2,774	290,455
Debt Service:					
Principal Payments			194,766		194,766
Interest Payments			162,182		162,182
Capital Outlay	125,451			2,265	127,716
Total Cash Disbursements	<u>1,128,789</u>	<u>235,824</u>	<u>356,948</u>	<u>48,439</u>	<u>1,770,000</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>609,522</u>	<u>(128,101)</u>	<u>1,187</u>	<u>376,595</u>	<u>859,203</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		208,825		415,781	624,606
Transfers-Out	(208,825)		(825)	(414,956)	(624,606)
Other Uses	(53,984)		(1,449)		(55,433)
Total Other Financing Receipts and (Disbursements)	<u>(262,809)</u>	<u>208,825</u>	<u>(2,274)</u>	<u>825</u>	<u>(55,433)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	346,713	80,724	(1,087)	377,420	803,770
Fund Cash Balances, January 1	2,353,767	239,110	59,989	515,089	3,167,955
<b>Fund Cash Balances, December 31</b>	<u><b>\$2,700,480</b></u>	<u><b>\$319,834</b></u>	<u><b>\$58,902</b></u>	<u><b>\$892,509</b></u>	<u><b>\$3,971,725</b></u>
Reserves for Encumbrances, December 31	<u>\$146,778</u>	<u>\$33,783</u>	<u>\$425</u>	<u>\$164,313</u>	<u>\$345,299</u>

*The notes to the financial statements are an integral part of this statement.*



**VILLAGE OF HOLLAND  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Holland, Lucas County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides police and fire services, general governmental services, including park operations (leisure time activities), road maintenance and repair, refuse pickup, and storm sewer maintenance.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Repurchase agreements are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF HOLLAND  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

*Sanitary Sewer Debt Retirement Fund* – This fund receives income tax revenue and sanitary sewer assessments, and is used to accumulate resources for the payment of bonds and note indebtedness.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

*Capital Project Construction Fund* - This fund receives income tax revenue and State Issue II funds whose proceeds are used for major road construction, maintenance, and repair projects.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF HOLLAND  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2002	2001
Demand deposits	\$73,201	\$22,184
Repurchase agreement	3,729,968	3,949,541
Total deposits and investments	\$3,803,169	\$3,971,725

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**Investments:** The Village and its financial institution have an agreement in which account balances are automatically invested in an overnight repurchase agreement. The financial institution maintains records identifying the Village as owner.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,485,930	\$1,612,603	\$126,673
Special Revenue	290,790	331,144	40,354
Debt Service	359,230	366,787	7,557
Capital Projects	1,822,299	1,207,248	(615,051)
Total	\$3,958,249	\$3,517,782	(\$440,467)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,738,133	\$1,520,842	\$217,291
Special Revenue	365,535	314,733	50,802
Debt Service	362,725	360,809	1,916
Capital Projects	1,898,865	1,865,417	33,448
Total	\$4,365,258	\$4,061,801	\$303,457

**VILLAGE OF HOLLAND  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,722,700	\$1,738,311	\$15,611
Special Revenue	306,543	316,548	10,005
Debt Service	352,511	358,135	5,624
Capital Projects	964,863	840,815	(124,048)
Total	<u>\$3,346,617</u>	<u>\$3,253,809</u>	<u>(\$92,808)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,755,239	\$1,538,376	\$216,863
Special Revenue	319,040	269,607	49,433
Debt Service	360,710	359,647	1,063
Capital Projects	635,738	627,708	8,030
Total	<u>\$3,070,727</u>	<u>\$2,795,338</u>	<u>\$275,389</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 2¼ percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF HOLLAND  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,205,558	7.51 to 8.40%
Special Assessment Bond #1	40,000	7.38%
Special Assessment Bond #2	365,000	7.35%
Capital Lease	20,899	5.20%
Total	<u>\$1,631,457</u>	

The Ohio Water Development Authority (OWDA) loan relates to the installation of a sanitary sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$2,762,878 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$143,222, including interest, over 20 years.

The outstanding special assessment bonds consist of sewer improvement issues and construction of the Holland Business Center. The outstanding capital lease relates to the purchase of a fire truck for the Village's use. The capital lease and special assessment bonds are the direct obligation of the Village for which its full faith, credit and resources are pledged. The special assessment bonds are payable from assessments on the effected properties in the Village, and the capital lease obligation is payable from taxes levied on all property in the Village.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>Special Assessment Bond #1</u>	<u>Special Assessment Bond #2</u>	<u>Capital Lease</u>
2003	\$286,443	\$12,950	\$57,010	\$22,012
2004	286,443	12,213	54,790	
2005	286,443	11,475	57,570	
2006	286,443	10,738	54,980	
2007	286,443		57,390	
2008 – 2012	112,755		232,370	
Total	<u>\$1,544,970</u>	<u>\$47,376</u>	<u>\$514,110</u>	<u>\$22,012</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers and full-time firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent

**VILLAGE OF HOLLAND  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**8. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100 percent, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

**9. HOSPITAL REVENUE BONDS**

On February 5, 2001, Village Council approved the issuance and sale of Hospital Facilities Revenue Bonds, Series 2001. The Bonds were issued for the purpose of refunding and retiring certain outstanding indebtedness, financing the acquisition, construction, equipping and installation of certain hospital facilities to be operated by the Anne Grady Corporation for the amount of \$4,500,000. The approval authorized the execution and delivery of an agreement of lease and a sublease, a trust indenture to secure the series bonds, and a bond purchase agreement, with the award of the sale to Seasongood & Mayor, LLC. The bonds were issued on April 3, 2001, with the bonds being secured by the property financed, and are payable solely from hospital revenue. The Village, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Holland  
Lucas County  
1245 Clarion Avenue  
Holland, OH 43528-8394

To the Village Council:

We have audited the accompanying financial statements of the Village of Holland, Lucas County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 15, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Village of Holland  
Lucas County  
Independent Accountants' Report on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 15, 2003





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF HOLLAND**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 19, 2003**