



**Auditor of State
Betty Montgomery**

VILLAGE OF HOLMESVILLE
HOLMES COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Holmesville
Holmes County
P.O. Box 113
Holmesville, Ohio 44633

To the Village Council:

We have audited the accompanying financial statements of the Village of Holmesville, Holmes County, Ohio, (the Village) as of and for the year ended December 31, 2002. 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 audit.

We conducted our audit 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 audit 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 audit provides 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 of the Village as of December 31, 2002, 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 September 12, 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 audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, 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

September 12, 2003

**VILLAGE OF HOLMESVILLE
HOLMES 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**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$5,810	\$5,977	\$11,787
Intergovernmental Receipts	28,785	14,440	43,225
Fines, Licenses, and Permits	124		124
Earnings on Investments	932	346	1,278
Miscellaneous	487		487
	<u>36,138</u>	<u>20,763</u>	<u>56,901</u>
Total Cash Receipts			
	<u>36,138</u>	<u>20,763</u>	<u>56,901</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,433	3,391	8,824
Public Health Services			
Leisure Time Activities	16		16
Basic Utility Services	4,986		4,986
Transportation		11,388	11,388
General Government	36,605	758	37,363
	<u>47,040</u>	<u>15,537</u>	<u>62,577</u>
Total Cash Disbursements			
	<u>47,040</u>	<u>15,537</u>	<u>62,577</u>
Total Receipts Over/(Under) Disbursements	<u>(10,902)</u>	<u>5,226</u>	<u>(5,676)</u>
Fund Cash Balances, January 1	<u>51,441</u>	<u>24,859</u>	<u>76,300</u>
Fund Cash Balances, December 31	<u><u>\$40,539</u></u>	<u><u>\$30,085</u></u>	<u><u>\$70,624</u></u>

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

VILLAGE OF HOLMESVILLE
HOLMES COUNTY

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

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$106,430
Operating Cash Disbursements:	
Basic Utility Services	242,379
Operating Loss	(135,949)
Non-Operating Cash Receipts:	
Intergovernmental Receipts	178,721
Fines, Licenses, and Permits	10
Interest Receipts	28
Proceeds of Bonds	1,305,000
Other Non-Operating Receipts	844
Total Non-Operating Cash Receipts	1,484,603
Non-Operating Cash Disbursements:	
Debt Service	1,314,974
Excess of Receipts Over Disbursements	33,680
Fund Cash Balances, January 1	36,884
Fund Cash Balances, December 31	\$70,564

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

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Holmesville, Holmes 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 general government and sewer services. The Village contracts with the Holmes County Sheriff's Department to provide security of persons and property. The Prairie Township Volunteer Fire Department provides fire protection services to the Village residents.

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

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 Funds:

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

Street Light Levy Fund - This fund receives levy monies for the operation of the Village's street lights.

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

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

2. EQUITY IN POOLED CASH

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

	2002
Demand deposits	\$131,188
Certificates of deposit	10,000
Total deposits	\$141,188

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,275	\$36,138	(\$7,137)
Special Revenue	18,301	20,763	2,462
Enterprise	590,000	1,591,033	1,001,033
Total	\$651,576	\$1,647,934	\$996,358

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,550	\$47,040	(\$490)
Special Revenue	16,000	15,537	463
Enterprise	115,000	1,557,353	(1,442,353)
Total	\$177,550	\$1,619,930	(\$1,442,380)

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the Enterprise Sewer System Fund by \$1,442,353.

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

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

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. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$169,567	0.00%
U.S.D.A. Mortgage Revenue Bonds	1,305,000	4.75%
Total	<u>\$1,474,567</u>	

The Ohio Public Works Commission (OPWC) loan relates to a sanitary sewer and wastewater treatment plant construction project. The OPWC has approved \$199,190 in an interest-free loan to the Village for this project. The loan will be repaid in semi-annual installments of \$4,987, over 20 years. The loan is collateralized by sewer charges for services receipts.

The U.S.D.A. Rural Development Mortgage Revenue Bonds were obtained for the purpose of paying for the costs of constructing improvements to the Village's sewer system. The issuance was approved in the amount of \$1,305,000. The bonds are to be repaid annually over 40 years. The Village has established sewer rates sufficient to retire the Mortgage Revenue Bonds; however, the Village has not established a Sewer System Revenue Bond Sinking Fund in compliance with the debt covenant associated with this loan.

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

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

5. DEBT (Continued)

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

	<u>OPWC Loan</u>	<u>Mortgage Revenue Bonds</u>
Year ending December 31:		
2003	\$4,996	\$70,733
2004	9,974	73,441
2005	9,974	73,471
2006	9,974	73,473
2007	9,974	73,446
2008 – 2042	124,675	2,571,368
Total	<u>\$169,567</u>	<u>\$2,935,932</u>

6. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides 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, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Inland marine

8. CONTINGENT LIABILITY

The Village is defendant in a lawsuit. On May 29, 2003, a mediation session was held between the plaintiff and defendant. On July 14, 2003, the Village subsequently entered into an agreement, resulting in a cash settlement of \$100,000 owed by the Village to the plaintiff. The Village's liability insurance is not sufficient to cover the cash settlement. As a result, the Village has applied to the U.S.D.A. Department of Rural Development for an additional loan in this amount. It is currently unknown if, or when, that loan will be approved.

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**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through State Department of Development:</i>				
Community Development Block Grants	C-W-97-352-1	14.228	\$19,148	\$19,148
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Direct:</i>				
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	<u>1,464,573</u>	<u>1,464,622</u>
Total			<u>\$1,483,721</u>	<u>\$1,483,770</u>

See accompanying Notes to the Schedule of Receipts and Expenditures of Federal Awards.

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED DECEMBER 31, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes activity of the Village's federal award programs. The Schedule has been prepared on the cash basis of accounting.



**Auditor of State
Betty Montgomery**

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

Village of Holmesville
Holmes County
P.O. Box 113
Holmesville, Ohio 44633

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Holmesville, Holmes County, Ohio, (the Village) as of and for the year ended December 31, 2002, and have issued our report thereon dated September 12, 2003. We conducted our audit 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-002.

We also noted other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-003.

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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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 12, 2003.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 12, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Holmesville
Holmes County
P.O. Box 113
Holmesville, Ohio 44633

To the Honorable Mayor and Village Council:

Compliance

We have audited the compliance of the Village of Holmesville, Holmes County, Ohio, (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The Village's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, that is required to be reported in accordance with OMB Circular A-133 which is described in the accompanying Schedule of Findings as item 2002-004.

We also noted other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 12, 2003.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 12, 2003

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) requires that no subdivision expend money unless it has been lawfully appropriated. During 2002, fund level expenditures exceeded appropriations in the Enterprise Sewer System Fund by \$1,442,353. In addition, the Village did not follow the guidance provided in Auditor of State Bulletin 97-012 concerning budgetary requirements for certain grants or loans.

Upon receipt of an unanticipated revenue source such as federal, state or local grants or loans, the Village Clerk should obtain an increased amended official certificate of estimated resources and Village Council should increase appropriations accordingly. In addition, the Village Clerk should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level, the Village's legal level of control, to avoid potential overspending.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code Section 9.38 provides that public monies must be deposited with the Village Clerk or designated depository on the business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Certain sewer daily receipts were not deposited with the Village Clerk or designated depository for a period of up to 58 days after initial receipt of the money. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner. The Village should properly safeguard receipts and look to Auditor of State Bulletin 99-020 for further guidance relative to depositing requirements and procedures.

FINDING NUMBER 2002-003

Reportable Condition

Budget vs. Actual Reports

During 2002, the Village's estimated receipts posted to the Village's Year To Date Fund Report did not reconcile to the Amended Official Certificate of Estimated Resources approved by the County Budget Commission by amounts ranging up to roughly \$1.3 million. In addition, Village Council does not receive or review monthly budget vs. actual reports. As a result, Village Council and the Village Clerk were unable to accurately monitor the Village's budget status. The largest variance noted (\$1.3 million) was a result of the Village posting anticipated loan proceeds without obtaining an amended certificate of estimated resources, as discussed in Finding Number 2002-001.

FINDING NUMBER 2002-003 (Continued)

Reportable Condition (Continued)

Budgetary amounts should be posted to the subsidiary ledgers as they appear on the Amended Official Certificate of Estimated Resources. In addition, the Village Clerk should periodically reconcile the Village's Year-to-Date Fund Report to ensure estimated receipts are posted accurately and timely. This will help ensure that Village Council and the Village Clerk are able to effectively monitor and assess, on an on-going basis, results of estimated versus actual receipt activity.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Noncompliance Citation

Finding Number	2002-004
CFDA Title and Number	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760
Federal Award Number / Year	2002
Federal Agency	United States Department of Agriculture
Pass-Through Agency	None

USDA Department of Rural Development RUS Bulletin 1780-12 Part M (1) requires financial reporting be on an accrual basis.

During 2002, the Village used the basis of accounting prescribed or permitted by the Auditor of State and did not subsequently adjust the financial statements to be presented on the accrual basis of accounting. The Village should comply with the accrual reporting provisions or obtain a written waiver from USDA.

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2001-001	Ohio Rev. Code Section 5705.41(D) – 12 out of 16 (75%) of expenditures tested were not certified by the Village Clerk prior to incurring the obligation.	Partially	See Management Letter Noncompliance Citation #1.
2001-002	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations in the General Fund and Street Lights Fund.	No	See Schedule of Findings 2002-001.
2001-003	Password Administration – Passwords are not required to gain access to the Village Sewer Billing System.	Yes	Finding No Longer Valid
2001-004	Computer Backups – The Village does not backup its data for the computer system.	Yes	Finding No Longer Valid



**Auditor of State
Betty Montgomery**

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VILLAGE OF HOLMESVILLE

HOLMES 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
OCTOBER 9, 2003**