



Dave Yost • Auditor of State



VILLAGE OF HOLGATE  
HENRY COUNTY

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# Dave Yost • Auditor of State

Village of Holgate  
Henry County  
P.O. Box 217  
Holgate, OH 43527-0217

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

November 1, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Holgate  
Henry County  
P.O. Box 217  
Holgate, OH 43527-0217

To the Village Council:

We have audited the accompanying financial statements of the Village of Holgate, Henry County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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.

Except as discussed in the following paragraph, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient evidential matter to support the charges for services revenue reported for the Swimming Pool, Special Revenue Fund in 2011 and 2010. Those activities represent all the charges for services revenues of the Special Revenue Fund Type and eleven and eight percent of the total revenue of the Special Revenue Fund Type in 2011 and 2010, respectively.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, except for the effects of such adjustment , if any, as might have been determined to be necessary had we been able to obtain sufficient evidential matter for the Special Revenue Funds Charges for Service Revenue in 2011 and 2010, as described in the fourth preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Holgate, Henry County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

November 1, 2012



**VILLAGE OF HOLGATE  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$22,475	\$15,485			\$37,960
Municipal Income Tax	124,493				124,493
Intergovernmental	76,780	73,446		\$83,329	233,555
Charges for Services		9,229			9,229
Fines, Licenses and Permits	1,398				1,398
Earnings on Investments	4,314	276			4,590
Miscellaneous	8,913	1,625			10,538
<i>Total Cash Receipts</i>	<u>238,373</u>	<u>100,061</u>		<u>83,329</u>	<u>421,763</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	41,261	9,916			51,177
Leisure Time Activities		32,950			32,950
Community Environment	4,241				4,241
Transportation	836	56,804			57,640
General Government	158,555				158,555
Capital Outlay	5,858			1,827	7,685
Debt Service:					
Principal Retirement				1,827	1,827
<i>Total Cash Disbursements</i>	<u>210,751</u>	<u>99,670</u>		<u>3,654</u>	<u>314,075</u>
<i>Excess of Receipts Over Disbursements</i>	<u>27,622</u>	<u>391</u>		<u>79,675</u>	<u>107,688</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	53,212				53,212
Transfers Out	(53,212)		(\$53,212)		(106,424)
Sale of Natural Gas System	235,905				235,905
Other Financing Sources	(136,798)				(136,798)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>99,107</u>		<u>(53,212)</u>		<u>45,895</u>
<i>Net Change in Fund Cash Balances</i>	126,729	391	(53,212)	79,675	153,583
<i>Fund Cash Balances, January 1</i>	<u>49,376</u>	<u>193,999</u>	<u>\$53,212</u>	<u>421,304</u>	<u>717,891</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		194,390			194,390
Committed				500,979	500,979
Unassigned	176,105				176,105
<i>Fund Cash Balances, December 31</i>	<u>\$176,105</u>	<u>\$194,390</u>	<u>\$500,979</u>	<u>\$500,979</u>	<u>\$871,474</u>

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

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$303,475
Miscellaneous	2,327
<i>Total Operating Cash Receipts</i>	305,802
<b>Operating Cash Disbursements:</b>	
Personal Services	119,736
Transportation	1,476
Contractual Services	27,656
Supplies and Materials	124,424
Capital Outlay	6,637
<i>Total Operating Cash Disbursements</i>	279,929
<i>Operating Income</i>	25,873
<b>Non-Operating Cash Receipts (Disbursements):</b>	
Miscellaneous Receipts	5,428
Redemption of Principal	(23,809)
Interest and Other Fiscal Charges	(2,308)
Other Non-Operating Cash Disbursements	(3,887)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	(30,004)
Income before Transfers	1,297
Transfers-In	53,212
<i>Net Change in Fund Cash Balances</i>	54,509
<i>Fund Cash Balances, January 1</i>	391,197
<i>Fund Cash Balances, December 31</i>	\$445,706

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

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>					
Property and Local Taxes	\$23,781	\$18,008			\$41,789
Municipal Income Tax	123,569			\$82,167	205,736
Intergovernmental	47,380	52,169			99,549
Charges for Services		8,042			8,042
Fines, Licenses and Permits	1,567				1,567
Earnings on Investments	6,792	566			7,358
Miscellaneous	6,053	2,275			8,328
<i>Total Cash Receipts</i>	<u>209,142</u>	<u>81,060</u>		<u>82,167</u>	<u>372,369</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	44,358	19,339			63,697
Leisure Time Activities		24,189			24,189
Community Environment	4,234				4,234
Transportation	533	38,589			39,122
General Government	160,339				160,339
Debt Service:					
Redemption of Principal				3,654	3,654
Capital Outlay	6,944			2,113	9,057
<i>Total Cash Disbursements</i>	<u>216,408</u>	<u>82,117</u>		<u>5,767</u>	<u>304,292</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(7,266)</u>	<u>(1,057)</u>		<u>76,400</u>	<u>68,077</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Sale of Capital Assets	5,978				5,978
Other Financing Sources	1,804				1,804
Other Financing Uses	(2,763)				(2,763)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>5,019</u>				<u>5,019</u>
<i>Net Change in Fund Cash Balances</i>	<u>(2,247)</u>	<u>(1,057)</u>		<u>76,400</u>	<u>73,096</u>
<i>Fund Cash Balances, January 1</i>	<u>51,623</u>	<u>195,056</u>	<u>\$53,212</u>	<u>344,904</u>	<u>644,795</u>
<i>Fund Cash Balances, December 31</i>	<u>\$49,376</u>	<u>\$193,999</u>	<u>\$53,212</u>	<u>\$421,304</u>	<u>\$717,891</u>

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

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$311,904
Miscellaneous	11,808
	<u>11,808</u>
<i>Total Operating Cash Receipts</i>	<u>323,712</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	118,369
Transportation	1,034
Contractual Services	22,835
Supplies and Materials	123,832
Capital Outlay	43,641
	<u>43,641</u>
<i>Total Operating Cash Disbursements</i>	<u>309,711</u>
<i>Operating Income</i>	<u>14,001</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>	
Intergovernmental	12,790
Miscellaneous Receipts	4,347
Redemption of Principal	(17,876)
Interest and Other Fiscal Charges	(2,489)
Other Non-Operating Cash Disbursements	(6,586)
	<u>(6,586)</u>
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(26,951)</u>
<i>Net Change in Fund Cash Balances</i>	4,187
<i>Fund Cash Balances, January 1</i>	<u>387,010</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$391,197</u></u>

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

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Holgate, Henry County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services including road maintenance and repair, water and sewer utilities and park operations. The Village contracts with the Henry County Sheriff's department to provide security of persons and property. The Village contracts with Pleasant Township to receive fire protection services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

Swimming Pool Fund -This fund receives real estate and personal property tax monies, and charges for services monies/gate admissions and concession revenue, to cover the cost of maintaining the swimming pool.

Permissive Tax Fund – This fund receives money from the State for repairing Village Streets.

**3. Debt Service Fund**

This fund accounts for resources the Village accumulates to pay bond and note debt.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Improvement Fund - This fund receives income tax monies and grant proceeds for the construction and repairs of major capital projects.

**5. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund 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 Village 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.

VILLAGE OF HOLGATE  
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2011 budgetary activity appears in Note 3.

F. Fund Balance

In 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under GASB No. 54, fund balances are divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Village can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Village amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Village or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits**

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

	2011	2010
Demand deposits	\$773,523	\$565,559
Certificates of deposit	543,657	543,529
Total deposits	\$1,317,180	\$1,109,088

Deposits are 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 years ending December 31, 2011 and 2010 were as follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$503,118	\$527,490	\$24,372
Special Revenue	75,400	100,061	24,661
Capital Projects	80,000	83,329	3,329
Enterprise	334,000	364,442	30,442
Total	\$992,518	\$1,075,322	\$82,804



**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$552,493	\$400,761	\$151,732
Special Revenue	92,630	99,670	(7,040)
Debt Service	53,212	53,212	
Capital Projects	501,304	3,654	497,650
Enterprise	513,588	309,933	203,655
Total	<u>\$1,713,227</u>	<u>\$867,230</u>	<u>\$845,997</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$250,000	\$216,924	(\$33,076)
Special Revenue	71,700	81,060	9,360
Capital Projects	80,000	82,167	2,167
Enterprise	104,447	340,849	236,402
Total	<u>\$506,147</u>	<u>\$721,000</u>	<u>\$214,853</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$309,438	\$219,171	\$90,267
Special Revenue	258,941	82,117	176,824
Debt Service	53,212		53,212
Capital Projects	424,904	5,767	419,137
Enterprise	671,510	336,662	334,848
Total	<u>\$1,718,005</u>	<u>\$643,717</u>	<u>\$1,074,288</u>

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**4. Property Tax (Continued)**

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 one 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.

**6. Debt**

Debt outstanding at December 31, 2011, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$108,473	2%
Ohio Public Works Commission Loan #1	43,844	0%
Ohio Public Works Commission Loan #2	<u>155,055</u>	0%
Total	<u><u>\$307,372</u></u>	

The Ohio Water Development Authority (OWDA) loan relates to a water tower. The Village has received \$188,878 in loans from OWDA, and has a loan balance of \$108,473 at December 31, 2011. The loans will be repaid in semiannual installments of \$5,753 including interest, over 20 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) Loan #1 relates to storm sewer replacement and curb reconstruction. The OPWC has approved \$73,074 in interest free loans to the Village for this project. The loans will be repaid in semiannual installments of \$1,827, over 20 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Loan #2 relates to a water treatment iron filtration project. The OPWC has approved \$177,205 in interest free loans to the Village for this project. The loans will be repaid in semiannual installments of \$4,430 over 28 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Debt (Continued)**

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

Year ending December 31:	OPWC Loans Principal	OWDA Loan Principal	OWDA Loan Interest
2012	\$6,257	\$4,668	\$1,085
2013	12,514	9,476	2,028
2014	12,514	9,666	1,839
2015	12,514	9,861	1,644
2016	12,514	10,059	1,446
2017-2021	62,569	53,409	4,115
2022-2026	53,436	11,334	170
2027-2029	26,581		
Total	<u>\$198,899</u>	<u>\$108,473</u>	<u>\$12,327</u>

**7. Retirement System**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**8. Risk Pool Membership**

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Risk Pool Membership (Continued)**

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**9. Contract Outstanding**

At December 31, 2011 the Village had an outstanding contract with Raido Read Fix Based Meter System. The total outstanding amount of the contract with E.J. Prescott Inc. was \$190,500 to be paid with Capital Improvement and Water Revenue monies.

**10. Subsequent Event**

March 24, 2012 the Village contracted with Ward Construction for street work. The total amount of the contract is \$43,475 to be paid with Street Construction, Maintenance and Repair monies. As of November 1, 2012 the work has not been started.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Holgate  
Henry County  
P.O. Box 217  
Holgate, OH 43527-0217

To the Village Council:

We have audited the financial statements of the Village of Holgate, Henry County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated November 1, 2012 wherein we noted we were unable to obtain sufficient evidential matter to support the revenues in the Pool Special Revenue Fund for 2011 and 2010 and the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-002 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 1, 2012.

We intend this report solely for the information and use of management, Village Council, audit committee, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 1, 2012



**VILLAGE OF HOLGATE  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-001**

**Material Weakness**

**Swimming Pool Records**

Formal policies regarding the accounting and management of swimming pool and concession revenues have not been established. Such policies are critical for defining a framework for legal compliance and safeguarding records essential to supporting accountability. In addition, insufficient and inaccurate record keeping could allow for errors or fraud to occur and not be detected.

Formal records, related to gate admission revenue, season passes, and concession revenue, were not maintained by the Pool Manager during the audit period. As a result, we were unable to obtain sufficient evidential matter to support the charges for services revenue reported for the Swimming Pool, Special Revenue Fund in 2011 and 2010. Those activities represent all of the charges for services revenues of the Special Revenue Fund Type and eleven and eight percent of the total revenue of the Special Revenue Fund Type, in 2011 and 2010, respectively.

To ensure the amounts recorded in the financial statements are accurate, Council should establish control procedures which define how swimming pool and concession revenues are to be accounted for. This may include, for example:

- The Pool Manager maintaining a master control sheet for all types of season passes which accounts for each pass in addition to daily admission charged.
- Daily attendance logs being maintained by the Pool Manager and reconciled daily to money collected and deposited with the Fiscal Officer. Management may want to consider recording the day's temperature and weather conditions on the daily log so management knows if revenues coincide with the day's conditions.
- An itemized record (or daily log) of individual concession sales being maintained by the Pool Manager which would be matched to deposits with the Fiscal Officer. Management should periodically compare concession revenues with concession inventory usage for reasonableness.

These policies should clearly define what documents are to be maintained and who is responsible for monitoring the records. Management should periodically review reports prepared by the Pool Manager to determine if the supporting documentation is reasonable and agrees with deposits and amounts recorded in the accounting records. Management should indicate their approval of records examined by dating and initialing the appropriate documents.

**FINDING NUMBER 2011-002**

**Material Weakness**

**Monitoring Financial Statements**

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

**FINDING NUMBER 2011-002  
(Continued)**

The financial statements contained material errors, such as the following:

- Intergovernmental receipts of \$12,790 were recorded as miscellaneous revenue in the Water Fund in 2010.
- Sale of the Village's natural gas system of \$235,905 was recorded as miscellaneous revenue in 2011 in the General Fund, rather than as an other financing receipt.

The financial statements, schedules, and, where applicable, the accounting records presented have been adjusted to correct these and other errors. To ensure the Village's financial statements, schedules and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements, schedules, management discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Ohio Revised Code § 5705.41 (D) for improper certification of expenditures.	Yes	
2009-002	Material weakness for lack of Swimming Pool Records.	No	Repeated as Finding 2011-001 in this report.
2009-003	Material weakness for improved Monitoring of Financial Statements.	No	Repeated as Finding 2011-002 in this report.

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# Dave Yost • Auditor of State

VILLAGE OF HOLGATE

HENRY 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  
NOVEMBER 20, 2012