



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF HOLMESVILLE
HOLMES COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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, 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 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 and reserves for encumbrances of the Village as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2002 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 statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, 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 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 14, 2002

**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, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$4,903	\$5,379	\$10,282
Intergovernmental Receipts	39,170	14,162	53,332
Fines, Licenses, and Permits	24		24
Earnings on Investments	1,793	575	2,368
Miscellaneous	248		248
	<hr/>		
Total Cash Receipts	46,138	20,116	66,254
<hr/>			
Cash Disbursements:			
Current:			
Security of Persons and Property	4,615	3,402	8,017
Public Health Services	25		25
Leisure Time Activities	1,198		1,198
Basic Utility Services	4,004		4,004
Transportation		12,989	12,989
General Government	33,460	134	33,594
	<hr/>		
Total Cash Disbursements	43,302	16,525	59,827
<hr/>			
Total Receipts Over Disbursements	2,836	3,591	6,427
<hr/>			
Other Financing Receipts and (Disbursements):			
Advances-In	2,500		2,500
Advances-Out	(10,000)	(2,500)	(12,500)
	<hr/>		
Total Other Financing Receipts/(Disbursements)	(7,500)	(2,500)	(10,000)
<hr/>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,664)	1,091	(3,573)
<hr/>			
Fund Cash Balances, January 1	56,105	23,768	79,873
<hr/>			
Fund Cash Balances, December 31	\$51,441	\$24,859	\$76,300
<hr/>			
Reserves for Encumbrances, December 31	\$0	\$0	\$0
<hr/>			

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

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

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

	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$21,072
Operating Cash Disbursements:	
Personal Services	19,056
Basic Utility Services	12,005
Contractual Services	6,253
Supplies and Materials	24,716
Capital Outlay	1,083,147
Total Operating Cash Disbursements	1,145,177
Operating (Loss)	(1,124,105)
Non-Operating Cash Receipts:	
Intergovernmental Receipts	1,067,047
Fines, Licenses, and Permits	7,830
Interest Receipts	981
Other Non-Operating Receipts	92
Total Non-Operating Cash Receipts	1,075,950
Non-Operating Cash Disbursements:	
Debt Service	9,975
Total Non-Operating Cash Disbursements	9,975
Excess of Receipts (Under) Disbursements Before Advances	(58,130)
Advances-In	10,000
Net Receipts (Under) Disbursements	(48,130)
Fund Cash Balances, January 1	85,014
Fund Cash Balances, December 31	\$36,884
Reserve for Encumbrances, December 31	\$0

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, 2001**

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 governmental services and sewer services. The Village contracts with the Holmes County Sheriff's department to provide security of persons and property.

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

Certificates of deposit 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 has 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 money for the operation of the street lights.

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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 has 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 the appropriation measure 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements 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, 2001
(Continued)**

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:

	2001
Demand deposits	\$103,184
Certificates of deposit	10,000
Total deposits	\$113,184

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 ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,676	\$48,638	\$8,962
Special Revenue	19,500	20,116	616
Enterprise	1,305,000	1,107,022	(197,978)
Total	\$1,364,176	\$1,175,776	(\$188,400)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,550	\$53,302	(\$6,752)
Special Revenue	20,950	19,025	1,925
Enterprise	1,300,000	1,155,152	144,848
Total	\$1,367,500	\$1,227,479	\$140,021

Contrary to Ohio Rev. Code Section 5705.41 (D), the Village did not always certify the availability of funds for its expenditures, prior to making the obligations of the Village.

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations by \$6,752 in the General Fund, and by \$1,036 in the Street Lights Fund.

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$179,541	0.00%
Temporary Revenue Bonds	1,305,000	5.55%
Total	<u>\$1,484,541</u>	

The \$179,541 Ohio Public Works Commission loan relates to a sewer plant project. This loan will be repaid in semiannual installments of \$4,987 for 20 years.

The \$1,305,000 Temporary Revenue Bonds relate to a sewer plant project. These bonds will be repaid in a lump sum on March 1, 2002 with semiannual interest payments of \$33,196.

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

	<u>OWDA Loan</u>	<u>Temporary Revenue Bonds</u>
Year ending December 31:		
2002	\$9,974	\$1,338,196
2003	9,974	0
2004	9,974	0
2005	9,974	0
2006	9,974	0
2007-2011	49,870	0
2012-2016	49,870	0
2017-2019	29,931	0
Total	<u>\$179,541</u>	<u>\$1,338,196</u>

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

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

6. RETIREMENT SYSTEM

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grants	C-W-97-352-1	14.228	\$119,930	\$174,139
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Direct Grant:</i>				
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	624,770	609,642
Appalachian Regional Commission Grant	N/A	23.002	<u>299,366</u>	<u>299,366</u>
Total U.S. Department of Agriculture			<u>924,136</u>	<u>909,008</u>
Total			<u>\$1,044,066</u>	<u>\$1,083,147</u>

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

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED DECEMBER 31, 2001**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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



**STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS 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 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, 2001, and have issued our report thereon dated June 14, 2002. 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 2001-30938-001 and 2001-30938-002.

We also noted other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 14, 2002.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-30938-003 and 2001-30938-004.

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 none of the reportable conditions described above is 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 June 14, 2002.

This report is intended solely for the information and use of the 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, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

June 14, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 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, 2001. 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 generally accepted auditing standards; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 of 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, 2001; however, we noted instances of noncompliance that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated June 14, 2002.

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 the 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.



Jim Petro
Auditor of State

June 14, 2002

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001**

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?	No
(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?	No

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

FINDING NUMBER 2001-30938-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two “exceptions” to the above requirements”

1. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Village Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of Village Council, if such expenditure is otherwise valid.

12 of the 16 (75%) of the expenditures tested were not certified by the Village Clerk-Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Village should certify the availability of funds prior to incurring any obligation for the expenditure of funds. The Village should inform all Village employees of the requirements of the Ohio Rev. Code Section 5705.41 (D). The Village should also implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2001-30938-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2001, expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance
General Fund	46,550	53,302	(6,752)
Street Lights Fund	2,500	3,536	(1,036)

The Clerk should frequently compare actual expenditures to appropriations to avoid overspending. In addition, the Clerk should ensure that funds are available and that appropriations exist prior to the Village incurring the obligation.

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

FINDING NUMBER 2001-30938-003

Reportable Condition

Password Administration

Passwords are not required to gain access to the Village Sewer Billing System.

Passwords provide the first line of defense for the computer system. Short passwords, infrequent changing, or lack of passwords increase the risk of password disclosure to unauthorized individuals or the functions assigned to a particular person.

Password controls should be strengthened by requiring individual passwords for all accounts at the system and application levels. Passwords should also be at least six characters in length. In addition, passwords should be changed at least every 90 days for general accounts and more frequently for sensitive system accounts. Implementation of these controls will help reduce the risk of unauthorized access to computer files.

FINDING NUMBER 2001-30938-004

Reportable Condition

Computer Backups

The Village does not backup their data for the computer system. This could result in the Village incurring substantial costs in attempting to retrieve and recreate pertinent financial information for internal and external purposes.

The Village should backup their computer system each time a change is made in the billing system and should consider storing backup data off-site or in a secure location in the Village Hall (e.g. the fireproof safe). This procedure would improve chances that the Village would be able to continue operations should a disaster affect the computer system.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VILLAGE OF HOLMESVILLE
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30938-001	Ohio Rev. Code Section 5705.41 (D), expenditures were not certified by the Clerk-Treasurer prior to incurring the obligation.	No	Not corrected as noted in Finding Number 2001-30938-001
2000-30938-002	Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations in the General Fund by \$11,819 and in the Capital Projects Sewer Fund by \$2,222,995.	No	Not corrected as noted in Finding Number 2001-30938-002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JULY 23, 2002**