

**VILLAGE OF HOLMESVILLE  
HOLMES COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004 - 2003**





**Auditor of State  
Betty Montgomery**

Village Council  
Village of Holmesville  
P.O. Box 113  
Holmesville, Ohio 44633-0133

We have reviewed the *Independent Accountants' Report* of the Village of Holmesville, Holmes County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Holmesville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 21, 2006

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VILLAGE OF HOLMESVILLE  
HOLMES COUNTY

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# KNOX & KNOX

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Accountants and Consultants

## Independent Accountants' Report

Village of Holmesville  
Holmes County  
P. O. Box 113  
Holmesville OH 44633

We have audited the accompanying financial statements of the Village of Holmesville, Holmes County, as of and for the years ended December 31, 2004 and 2003. 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 described more fully in Note 1, the Village has prepared its 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. Although we cannot reasonably determine the effects on the financial statements of variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2004 and 2003. Instead of the combined funds the accompanying financial statements present for 2004 and 2003, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004 and 2003. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 representation 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Holmesville's combined funds as of December 31, 2004 and 2003, and their changes in financial position.

Village of Holmesville  
Holmes County  
Independent Accountants' Report

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Holmesville, Holmes County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2004 and 2003. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2006, on our consideration of the Village of Holmesville's internal control structure over financial reporting and our tests of its compliance certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Knox & Knox*

Orrville Ohio  
May 2, 2006



**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, 2004**

	<b>Government Fund Types</b>		<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 6,642	\$ 4,548	\$ 11,190
Intergovernmental receipts	31,206	20,613	51,819
Fines, Licenses, and Permits	408		408
Earnings on Investments	354	82	436
Miscellaneous		206	206
 Total Cash Receipts	 38,610	 25,449	 64,059
 <b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	5,498		5,498
Public Health Services	910		910
Community Environment		3,494	3,494
Basic Utility Services	4,982		4,982
Transportation		19,996	19,996
General Government	29,344		29,344
 Total Cash Disbursements	 40,734	 23,490	 64,224
 Total Cash Receipts Over/(Under) Cash Disbursements	 <2,124>	 1,959	 <165>
 Fund Cash Balances, January 1	 14,331	 30,615	 44,946
 <b>Fund Cash Balances, December 31</b>	 <b>\$ 12,207</b>	 <b>\$ 32,574</b>	 <b>\$ 44,781</b>

*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, 2004**

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 127,158
<b>Operating Cash Disbursements:</b>	
Personal Services	24,515
Contractual Services	8,751
Supplies and Materials	<u>27,072</u>
Total Operating Cash Disbursements	<u>60,338</u>
Operating Income	66,820
<b>Non-Operating Cash Receipts</b>	
Sale of Bonds	70,000
Interest Receipts	14
Other Non-Operating Receipts	<u>34,989</u>
Total Non-Operating Cash Receipts	105,003
<b>Non-Operating Cash Disbursements</b>	
Debt Service	83,415
Other Uses	<u>100,000</u>
Total Non-operating Cash Disbursements	<u>183,415</u>
Net Receipts Over/(Under) Disbursements	<11,592>
Fund Cash Balances, January 1	<u>75,481</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 63,889</b></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 - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Government Fund Types</b>		<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 6,343	\$ 7,445	\$ 13,788
Intergovernmental receipts	25,763	13,512	39,275
Earnings on Investments	663	151	814
Miscellaneous	13,686	11	13,697
 Total Cash Receipts	 46,455	 21,119	 67,574
 <b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	6,331		6,331
Public Health Services	999		999
Community Environment		3,597	3,597
Basic Utility Services	6,558		6,558
Transportation		16,992	16,992
General Government	58,775		58,775
 Total Cash Disbursements	 72,663	 20,589	 93,252
 Total Receipts Over/(Under) Cash Disbursements	 <26,208>	 530	 <25,678>
 Fund Cash Balances, January 1	 40,539	 30,085	 70,624
 <b>Fund Cash Balances, December 31</b>	 <b>\$ 14,331</b>	 <b>\$ 30,615</b>	 <b>\$ 44,946</b>

*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, 2003**

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 121,129
<b>Operating Cash Disbursements:</b>	
Personal Services	23,600
Contractual Services	32,213
Supplies and Materials	<u>33,119</u>
Total Operating Cash Disbursements	<u>88,932</u>
Operating Income	<u>32,197</u>
<b>Non-Operating Cash Receipts</b>	
Interest Receipts	19
Other Non-Operating Receipts	<u>48,430</u>
Total Non-Operating Receipts	<u>48,449</u>
<b>Non-Operating Cash Disbursements</b>	
Debt Service	<u>75,729</u>
Net Receipts Over/(Under) Disbursements	4,917
Fund Cash Balances, January 1	<u>70,564</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 75,481</u></b>

*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, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Holmesville, Holmes County, (the Village) is a body of 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 Funds**

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.

VILLAGE OF HOLMESVILLE  
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Enterprise Funds

This 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 Enterprise Funds:

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

*Debt Reserve Fund* - This fund receives monies pursuant to existing debt covenants.

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 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF HOLMESVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 and investments at December 31 was as follows:

	2004	2003
Demand deposits	\$ 98,670	\$110,427
Certificates of deposit	10,000	10,000
Total deposits	\$108,670	\$120,427

**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 years ended December 31, 2004 and 2003 follows:

Fund Type	2004 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,145	\$ 38,610	\$ <1,535>
Special Revenue	20,100	25,449	5,349
Enterprise	100,000	232,161	132,161
Total	\$ 160,245	\$ 296,220	\$ 135,975

Fund Type	2004 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 53,725	\$ 40,734	\$ 12,991
Special Revenue	33,850	23,490	10,360
Enterprise	159,366	243,753	<84,387>
Total	\$ 246,941	\$ 307,977	\$ <61,036>

**VILLAGE OF HOLMESVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. Budgetary Activity (Continued)**

<u>Fund Type</u>	2003 Budgeted vs. Actual Receipts		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 39,845	\$ 46,455	\$ 6,610
Special Revenue	20100	21119	1,019
Enterprise	<u>99000</u>	<u>169578</u>	<u>70578</u>
Total	<u>\$158,945</u>	<u>\$237,152</u>	<u>\$ 78,207</u>

<u>Fund Type</u>	2003 Budgeted vs. Actual Budgetary Basis Expenditures		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 53,725	\$ 72,663	\$<18,938>
Special Revenue	33,850	20,589	13,261
Enterprise	<u>139,166</u>	<u>164,661</u>	<u>&lt;25,495&gt;</u>
Total	<u>\$ 226,741</u>	<u>\$ 257,913</u>	<u>\$&lt;31,172&gt;</u>

Contrary to the Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the Enterprise Fund; and the General and Enterprise Funds in 2004 and 2003 respectively.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.



**VILLAGE OF HOLMESVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$ 154,597	0.00%
USDA Mortgage Revenue Bonds	1,351,500	4.35-4.75%
<u>Total</u>	<u>\$ 1,506,097</u>	

The Ohio Public Works Commission (OPWC) loan relates to a sanitary sewer and wastewater treatment plant construction project. The OPWC 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 USDA 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. In 2004, the Village obtained an additional \$70,000 for the purpose of settling a dispute with a contractor to be repaid annually over 40 years with a per annum interest rate of 4.35%.

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

	<u>OPWC Loan</u>	<u>Mortgage Revenue Bonds</u>
Year ending December 31:		
2005	\$ 9,974	\$ 74,425
2006	9,974	74,427
2007	9,974	74,440
2008	9,974	74,421
2009	9,974	74,440
2010-2044	104,727	2,563,894
Total	<u>\$154,597</u>	<u>\$ 2,936,047</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.

**VILLAGE OF HOLMESVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. RETIREMENT SYSTEM (Continued)**

Contributions rates are also prescribed by the Ohio Revised Code. For 2004, 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, 2004.

**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.

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Accountants and Consultants

## **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the Village of Holmesville as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 2, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

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

In planning and performing our audit, we considered the Village of Holmesville'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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we noted instances 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 of Holmesville's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-002.

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 caused by error or fraud 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, reportable condition 2004-002 described above is considered to be a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated May 2, 2006

### **Compliance**

As part of obtaining reasonable assurance about whether the Village of Holmesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2004-001. We also noted certain immaterial instances of noncompliance which we have reported to management of the Village of Holmesville in a separate letter dated May 2, 2006

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

*Knox & Knox*

Orrville, Ohio  
May 2, 2006

VILLAGE OF HOLMESVILLE  
HOLMES COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41 (B)** requires that no subdivision expend money unless it has been lawfully appropriated. During 2004 and 2003 fund level expenditures exceeded appropriations in the Enterprise Fund, and in the General and Enterprise Funds, respectively.

The Village 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.

**Management Response**

The Village has implemented use of the UAN System and other procedures to prevent a reoccurrence.

FINDING NUMBER 2004-002

**Reportable Condition**

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

During 2003 and 2004, 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.

**Management Response**

The Village is considering requesting a wavier, but has not done so as of the date of this report.

**VILLAGE OF HOLMESVILLE  
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly different Corrective Action Taken; or Finding No Longer Valid: <i><b>Explain</b></i>
2002-001	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.	Yes	
2002-002	Ohio Rev. Code Section 9.38 - Policy requiring timely deposit of public monies.	Yes	
2002-003	USDA requires accrual basis of accounting.	No	Not Corrected- reissued as Finding 2004-002







**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  
AUGUST 3, 2006**