

VILLAGE OF HOLLANSBURG

DARKE COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Hollansburg
P.O. Box 48
Hollansburg, Ohio 45332-0048

We have reviewed the *Independent Auditor's Report* of the Village of Hollansburg, Darke County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. 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 Auditor's 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 Auditor's 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 Hollansburg is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 7, 2008

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VILLAGE OF HOLLANSBURG
DARKE COUNTY

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Village Council
Village of Hollansburg
Darke County
P.O. Box 48
Hollansburg, Ohio 45332

We have audited the accompanying financial statements of the Village of Hollansburg (The Village), Darke County, Ohio, as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States *Government Auditing Standards*. 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 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. 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 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, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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, 2007 and 2006. 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 part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008, 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. 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 considered in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

June 20, 2008

VILLAGE OF HOLLANSBURG
DARKE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	(Memorandum Only)
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 23,452	\$ 7,519	\$ 30,971
Intergovernmental	55,268	13,024	68,292
Interest	154	64	218
Miscellaneous	1,308	777	2,085
Total Cash Receipts	<u>80,182</u>	<u>21,384</u>	<u>101,566</u>
<u>Disbursements:</u>			
General Government	17,853	-	17,853
Security of Persons and Property	15,382	2,342	17,724
Public Health Services	827	-	827
Leisure Time Activities	2,904	-	2,904
Community Environment	2,700	-	2,700
Basic Utility Services	17,210	11,702	28,912
Total Cash Disbursements	<u>56,876</u>	<u>14,044</u>	<u>70,920</u>
Total Receipts Over (Under) Disbursements	<u>23,306</u>	<u>7,340</u>	<u>30,646</u>
Fund Cash Balance, January 1	<u>11,931</u>	<u>7,387</u>	<u>19,318</u>
Fund Cash Balance, December 31	<u>\$ 35,237</u>	<u>\$ 14,727</u>	<u>\$ 49,964</u>

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

VILLAGE OF HOLLANSBURG
DARKE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	(Memorandum Only)
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 16,020	\$ 6,833	\$ 22,853
Intergovernmental	45,609	9,683	55,292
Interest	141	22	163
Miscellaneous	1,605	-	1,605
Total Cash Receipts	<u>63,375</u>	<u>16,538</u>	<u>79,913</u>
<u>Disbursements:</u>			
General Government	21,027	-	21,027
Security of Persons and Property	15,760	5,379	21,139
Public Health Services	653	-	653
Leisure Time Activities	5,176	-	5,176
Community Environment	2,869	-	2,869
Basic Utility Services	16,853	18,651	35,504
Total Cash Disbursements	<u>62,338</u>	<u>24,030</u>	<u>86,368</u>
Total Receipts Over (Under) Disbursements	<u>1,037</u>	<u>(7,492)</u>	<u>(6,455)</u>
Fund Cash Balance, January 1	<u>10,894</u>	<u>14,879</u>	<u>25,773</u>
Fund Cash Balance, December 31	<u>\$ 11,931</u>	<u>\$ 7,387</u>	<u>\$ 19,318</u>

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

**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Hollansburg, Darke County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services including street lighting, street repair and maintenance and park operations, and police services. The Village contracts with the New Madison Police Department to provide security for 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

All Funds are maintained in a general checking account.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds 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.

Law Enforcement Fund – This fund receives semiannual tax settlements from the county auditor for expenses related to providing security of persons and property.

**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$49,964</u>	<u>\$19,318</u>
Total deposits	<u><u>\$49,964</u></u>	<u><u>\$19,318</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,650	\$80,182	\$20,532
Special Revenue	16,715	21,384	4,669
Total	\$76,365	\$101,566	\$25,201

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,581	\$56,876	\$14,705
Special Revenue	24,058	14,044	10,014
Total	\$95,639	\$70,920	\$24,719

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,311	\$63,375	(\$2,936)
Special Revenue	17,344	16,538	(806)
Total	\$83,655	\$79,913	(\$3,742)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,919	\$62,338	\$13,581
Special Revenue	32,024	24,030	7,994
Total	\$107,943	\$86,368	\$21,575

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

5. RETIREMENT SYSTEMS

The Village Clerk belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9.0 percent of their wages. The Village contributed an amount equal to 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

6. RISK MANAGEMENT

In 2007 and 2006, the Village had obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- General liability and casualty
- Public official's liability

7. COMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41 (B), the Village expenditures exceeded appropriations in the Street Construction Maintenance and Repair Fund for fiscal year 2006.

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not properly certify funds prior to a commitment being made during 2007 and 2006.

Caudill & Associates, CPA's

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Village Council
Village of Hollansburg
P.O. Box 48
Hollansburg, Ohio 45332

We have audited the accompanying financial statements of the Village of Hollansburg (the Village), Darke County, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's financial statements, and have issued our report thereon dated June 20, 2008, wherein we noted the Village uses accounting practices the Auditor of State prescribes or permits rather than the 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the internal control over financial reporting. Accordingly, we do not express an opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operations that we consider material weaknesses.

Village of Hollansburg
Darke County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Compliance and Other Matters

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 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items No. 2007-001 and 2007- 002.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's
June 20, 2008

**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation – Expenditures Exceeding Appropriations

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

At December 31, 2006, the following funds had expenditures which exceeded appropriations at the legal level of control:

2006			
<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Street Construction Maintenance and repair Fund:			
Sidewalks	\$6,000	\$7,005	(\$1,005)

The Village Clerk should deny payment requests and not certify the availability of Funds exceeding appropriations and amending estimated resources, if necessary.

Village Response:

The Village will deny payment requests and not certify the availability of funds exceeding appropriations

FINDING NUMBER 2007-002

Noncompliance Citation – Certification of Funds

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-002 (Continued)

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village did not properly certify the availability of funds prior to obligation for 88.2% or \$76,172 of purchases tested in 2006 and 94.3% or \$66,843 of purchases tested in 2007. When the Village issues a purchase order affecting the funds, the fund is written out instead of using the proper account codes. The Clerk handles all financial record-keeping, including posting receipts and making disbursements. Checks currently require only one signature.

We recommend the Village implement policies to ensure that all purchases first have monies certified by the Clerk Treasurer before purchasing or ordering an item. We also recommend the use of a "then and now" certificate in instances of emergency or absence of proper authority.

Village Response:

Village officials will monitor the proper certifying of expenditures more closely.

FINDING NUMBER 2007-003

Significant Deficiency – Time Sheets Supervision

In 2007 and 2006, timesheets were not signed by a supervisor, nor was the appropriate rate of pay specified on the timesheet.

Failure to review and authorize timesheets could lead to errors and discrepancies in hours compensated.

The Council should develop and adopt appropriate procedures to ensure that all time sheets are properly reviewed and authorized.

Village Response:

The Village Council will develop and adopt appropriate procedures to ensure that all time sheets are properly reviewed and authorized.



Mary Taylor, CPA
Auditor of State

VILLAGE OF HOLLANSBURG

DARKE 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 17, 2008**