



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, Ohio 43527-0217

To the Village Council:

## ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Holgate, Henry County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

## ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

## ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

## ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Holgate, Henry County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 31, 2014

**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, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$22,499	\$23,460		\$45,959
Municipal Income Tax	134,711		\$89,808	224,519
Intergovernmental	35,396	54,602		89,998
Charges for Services		3,756		3,756
Fines, Licenses and Permits	1,151			1,151
Earnings on Investments	1,464	93		1,557
Miscellaneous	28,917	11,932		40,849
<i>Total Cash Receipts</i>	<u>224,138</u>	<u>93,843</u>	<u>89,808</u>	<u>407,789</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	38,595	17,162		55,757
Leisure Time Activities		20,308		20,308
Community Environment	4,368			4,368
Transportation		18,660		18,660
General Government	145,492	550		146,042
Capital Outlay	27,175		9,647	36,822
Debt Service:				
Principal Retirement			3,654	3,654
<i>Total Cash Disbursements</i>	<u>215,630</u>	<u>56,680</u>	<u>13,301</u>	<u>285,611</u>
<i>Excess of Receipts Over Disbursements</i>	<u>8,508</u>	<u>37,163</u>	<u>76,507</u>	<u>122,178</u>
<b>Other Financing Disbursements</b>				
Other Financing Uses	(6,862)			(6,862)
<i>Net Change in Fund Cash Balances</i>	1,646	37,163	76,507	115,316
<i>Fund Cash Balances, January 1</i>	<u>172,906</u>	<u>147,246</u>	<u>502,054</u>	<u>822,206</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		184,409		184,409
Committed			578,561	578,561
Unassigned	174,552			174,552
<i>Fund Cash Balances, December 31</i>	<u>\$174,552</u>	<u>\$184,409</u>	<u>\$578,561</u>	<u>\$937,522</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, 2013**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$373,769
Miscellaneous	2,547
	<u>376,316</u>
<i>Total Operating Cash Receipts</i>	<u>376,316</u>
<b>Operating Cash Disbursements</b>	
Personal Services	145,459
Transportation	518
Contractual Services	24,653
Supplies and Materials	74,969
Capital Outlay	2,762
	<u>248,361</u>
<i>Total Operating Cash Disbursements</i>	<u>248,361</u>
<i>Operating Income</i>	<u>127,955</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	4,500
Principal Retirement	(11,505)
Other Financing Uses	(4,647)
	<u>(11,652)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(11,652)</u>
<i>Net Change in Fund Cash Balances</i>	116,303
<i>Fund Cash Balances, January 1</i>	<u>349,113</u>
<i>Fund Cash Balances, December 31</i>	<u>\$465,416</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)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$22,509	\$33,674		\$56,183
Municipal Income Tax	130,107		\$86,261	216,368
Intergovernmental	36,483	50,679		87,162
Charges for Services		6,756		6,756
Fines, Licenses and Permits	1,260			1,260
Earnings on Investments	3,061	211		3,272
Miscellaneous	8,577	1,417		9,994
<i>Total Cash Receipts</i>	<u>201,997</u>	<u>92,737</u>	<u>86,261</u>	<u>380,995</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	39,150	20,849		59,999
Leisure Time Activities		35,150		35,150
Community Environment	4,133			4,133
Transportation	634	83,330		83,964
General Government	150,696	552		151,248
Capital Outlay	8,337		81,532	89,869
Debt Service:				
Principal Retirement			3,654	3,654
<i>Total Cash Disbursements</i>	<u>202,950</u>	<u>139,881</u>	<u>85,186</u>	<u>428,017</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(953)</u>	<u>(47,144)</u>	<u>1,075</u>	<u>(47,022)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Sources	109			109
Other Financing Uses	(2,355)			(2,355)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,246)</u>			<u>(2,246)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(3,199)</u>	<u>(47,144)</u>	<u>1,075</u>	<u>(49,268)</u>
<i>Fund Cash Balances, January 1</i>	<u>176,105</u>	<u>194,390</u>	<u>500,979</u>	<u>871,474</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		147,246		147,246
Committed			502,054	502,054
Unassigned	172,906			172,906
<i>Fund Cash Balances, December 31</i>	<u>\$172,906</u>	<u>\$147,246</u>	<u>\$502,054</u>	<u>\$822,206</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, 2012**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 346,233
Miscellaneous	2,257
	<u>348,490</u>
<i>Total Operating Cash Receipts</i>	<u>348,490</u>
<b>Operating Cash Disbursements</b>	
Personal Services	121,973
Transportation	546
Contractual Services	24,895
Supplies and Materials	105,823
Capital Outlay	180,434
	<u>433,671</u>
<i>Total Operating Cash Disbursements</i>	<u>433,671</u>
<i>Operating Loss</i>	<u>(85,181)</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	5,460
Principal Retirement	(10,183)
Other Financing Uses	(6,689)
	<u>(11,412)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(11,412)</u>
<i>Net Change in Fund Cash Balances</i>	(96,593)
<i>Fund Cash Balances, January 1</i>	<u>445,706</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 349,113</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, 2013 AND 2012**

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

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

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.

Street Light Fund – This fund receives money from the State for repairing Village Street lights.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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.

**4. 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 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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

**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 reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village 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**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends 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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**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.

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:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$859,154	\$627,590
Certificates of deposit	543,784	543,729
Total deposits	<u>\$1,402,938</u>	<u>\$1,171,319</u>

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 were as follows:

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity – (Continued)**

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,000	\$224,138	\$24,138
Special Revenue	87,994	93,843	5,849
Capital Projects	85,000	89,808	4,808
Enterprise	347,000	380,816	33,816
Total	<u>\$719,994</u>	<u>\$788,605</u>	<u>\$68,611</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$372,906	\$222,492	\$150,414
Special Revenue	235,240	56,680	178,560
Capital Projects	587,054	13,301	573,753
Enterprise	696,113	264,513	431,600
Total	<u>\$1,891,313</u>	<u>\$556,986</u>	<u>\$1,334,327</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,000	\$202,106	\$2,106
Special Revenue	96,981	92,737	(4,244)
Capital Projects	79,999	86,261	6,262
Enterprise	309,500	353,950	44,450
Total	<u>\$686,480</u>	<u>\$735,054</u>	<u>\$48,574</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$376,105	\$205,305	\$170,800
Special Revenue	291,370	139,881	151,489
Capital Projects	580,979	85,186	495,793
Enterprise	755,206	450,543	304,663
Total	<u>\$2,003,660</u>	<u>\$880,915</u>	<u>\$1,122,745</u>

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**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.

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, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$89,520	2%
Ohio Public Works Commission Loan #1	36,537	0%
Ohio Public Works Commission Loan #2	137,334	0%
Total	<u>\$263,391</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 \$89,520 at December 31, 2013. 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.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Debt – (Continued)**

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.

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

Year ending December 31:	<u>OPWC Loans</u>	<u>OWDA Loans</u>
2014	\$12,514	\$6,696
2015	12,514	11,505
2016	12,514	11,496
2017	12,514	11,505
2018	12,514	11,505
2019-2023	62,570	46,028
2024-2028	44,301	
2029	4,430	
Total	<u>\$173,871</u>	<u>\$98,734</u>

**7. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**8. Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Risk Management – (Continued)**

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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, 2012 and 2011 (the latest information available).

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$ 6,413,188</u>	<u>\$ 7,172,519</u>

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

**9. Related Party Transactions**

Frank Felter, the husband of Carol Felter, a Board Member, cleans the Village offices. The Village remitted \$2,100 in 2013 and \$2,100 in 2012. These payments were approved at arm's length, with full knowledge by Village officials, of Ms. Felter's interest, and Ms. Felter took no part in the deliberation or decision by Village officials with respect to these payments.

**10. Subsequent Events**

In December 2013, Council approved placing a 2 mill Pool levy and a 1 mill Park levy on the May 2014 ballot. Both levies passed. The Pool levy will generate approximately \$24,000 and the Park levy will generate approximately \$12,000 per year.

**11. Compliance**

Contrary to the requirements of the Revised Code Homestead/Rollback revenues were improperly posted to the General Fund instead of to the Pool Fund, Park Fund and Street Lighting Fund.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, Ohio 43527-0217

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States *Government Auditing Standards*, the financial statements of the Village of Holgate, Henry County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 31, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-002 described in the accompanying schedule of findings to be a significant deficiency.

***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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-002.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 31, 2014

**VILLAGE OF HOLGATE  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness**

**Financial Reporting**

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.

The 2012 and 2013 financial statements contained material errors of \$17,318 and \$10,081, respectively, where real estate property tax receipts in the Street Lighting fund were misclassified as Miscellaneous Revenues instead of Property and Other Local Taxes.

The financial statements have been adjusted to correct these 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, and notes to the financial statements to identify and correct errors and omissions.

**FINDING NUMBER 2013-002**

**Noncompliance / Significant Deficiency**

**Ohio Rev. Code, § 5705.10**, provides all money paid into any fund shall be used only for the purpose for which such fund is established. Furthermore, this code section requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

In 2013, Rollback and Homestead monies totaling \$6,118 were misposted to the General fund instead of the Pool fund (\$1,965), Park fund (\$843); and Street Lighting fund (\$3,310). The Village's financial statements and accounting records have been adjusted to correct these errors.

Financial activity should be properly reported in the accounting ledgers so management can better assess whether or not financial goals are being met on an ongoing basis. As part of monitoring process, we recommend the Fiscal Officer and management review the financial records to ensure all amounts are properly reflected in the appropriate funds and accounts. This will provide management with more accurate data to better assess whether or not financial goals are being met on an ongoing basis.

**Officials' Response:**

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

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**VILLAGE OF HOLGATE  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

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>
2011-001	Material weakness in swimming pool recordkeeping.	Yes	
2011-002	Material weakness due to errors in financial records.	No	Not corrected and reissued as Finding 2013-001 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  
AUGUST 21, 2014