



**Auditor of State
Betty Montgomery**

**VILLAGE OF HOLGATE
HENRY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Holgate
Henry County
113 South Todd Street, P. O. Box 637
McComb, Ohio 45858-0637

To the Village Council:

We have audited the accompanying financial statements of the Village of Holgate, Henry County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

May 18, 2004

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**VILLAGE OF HOLGATE
HENRY 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**

	Governmental Fund Types	
	General	Special Revenue
Cash Receipts		
Property Tax and Other Local Taxes	\$ 136,127	\$ 34,698
Intergovernmental Receipts	50,100	47,137
Charges for Services	-	6,388
Fines, Licenses, and Permits	2,958	-
Earnings on Investments	10,702	198
Miscellaneous	6,488	476
Total Cash Receipts	206,375	88,897
Cash Disbursements		
Current:		
Security of Persons and Property	79,826	19,665
Leisure Time Activities	1,216	21,784
Community Environment	3,944	-
Transportation	32,377	37,781
General Government	138,654	-
Capital Outlay	6,427	-
Total Cash Disbursements	262,444	79,230
Total Cash Receipts Over/(Under) Cash Disbursements	(56,069)	9,667
Other Financing Receipts and (Disbursements)		
Sale of Bonds or Notes	-	-
Other Sources	2,950	-
Other Uses	(9,897)	-
Total Other Financing Receipts/(Disbursements)	(6,947)	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(63,016)	9,667
Fund Cash Balances, January 1	173,472	185,963
Fund Cash Balances, December 31	\$ 110,456	\$ 195,630

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$ 135	\$ 77,528	\$ 248,488
-	149,000	246,237
-	-	6,388
-	-	2,958
-	-	10,900
-	-	6,964
135	226,528	521,935
-	-	99,491
-	-	23,000
-	-	3,944
-	-	70,158
-	-	138,654
-	332,410	338,837
-	332,410	674,084
135	(105,882)	(152,149)
-	82,524	82,524
-	-	2,950
-	-	(9,897)
-	82,524	75,577
135	(23,358)	(76,572)
53,077	36,280	448,792
\$ 53,212	\$ 12,922	\$ 372,220

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**VILLAGE OF HOLGATE
HENRY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 252,502
Total Operating Cash Receipts	252,502
Operating Cash Disbursements	
Personal Services	76,403
Travel Transportation	615
Contractual Services	20,734
Supplies and Materials	71,130
Capital Outlay	28,306
Total Operating Cash Disbursements	197,188
Operating Income	55,314
Non-Operating Cash Receipts	
Other Non-Operating Receipts	5,720
Total Non-Operating Cash Receipts	5,720
Non-Operating Cash Disbursements	
Debt Service	21,148
Other Non-Operating Cash Disbursements	2,886
Total Non-Operating Cash Disbursements	24,034
Net Receipts Over Disbursements	37,000
Fund Cash Balances, January 1	230,367
Fund Cash Balances, December 31	\$ 267,367

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF HOLGATE
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Cash Receipts		
Property Tax and Other Local Taxes	\$ 135,297	\$ 34,338
Intergovernmental Receipts	67,578	75,053
Charges for Services	-	8,259
Fines, Licenses, and Permits	1,716	-
Earnings on Investments	16,551	487
Miscellaneous	13,311	1,221
Total Cash Receipts	<u>234,453</u>	<u>119,358</u>
Cash Disbursements		
Current:		
Security of Persons and Property	86,237	18,589
Leisure Time Activities	4,498	23,910
Community Environment	3,892	-
Transportation	27,755	80,516
General Government	165,662	-
Capital Outlay	33,002	-
Total Cash Disbursements	<u>321,046</u>	<u>123,015</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(86,593)</u>	<u>(3,657)</u>
Other Financing Receipts and (Disbursements)		
Sale of Bonds or Notes	-	-
Other Sources	15,688	-
Other Uses	(9,942)	-
Total Other Financing Receipts/(Disbursements)	<u>5,746</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(80,847)</u>	<u>(3,657)</u>
Fund Cash Balances, January 1	<u>254,319</u>	<u>189,620</u>
Fund Cash Balances, December 31	<u><u>\$ 173,472</u></u>	<u><u>\$ 185,963</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$ 54	\$ 77,667	\$ 247,356
-	100,000	242,631
-	-	8,259
-	-	1,716
-	-	17,038
-	-	14,532
54	177,667	531,532
-	-	104,826
-	-	28,408
-	-	3,892
-	-	108,271
2	-	165,664
-	351,772	384,774
2	351,772	795,835
52	(174,105)	(264,303)
-	197,120	197,120
-	440	16,128
-	-	(9,942)
-	197,560	203,306
52	23,455	(60,997)
53,025	12,825	509,789
\$ 53,077	\$ 36,280	\$ 448,792

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**VILLAGE OF HOLGATE
HENRY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 253,357
Total Operating Cash Receipts	253,357
Operating Cash Disbursements	
Personal Services	66,633
Travel Transportation	1,673
Contractual Services	18,938
Supplies and Materials	65,322
Capital Outlay	2,247
Total Operating Cash Disbursements	154,813
Operating Income	98,544
Non-Operating Cash Receipts	
Other Non-Operating Receipts	2,475
Non-Operating Cash Disbursements	
Debt Service	10,089
Other Non-Operating Cash Disbursements	1,558
Total Non-Operating Cash Disbursements	11,647
Net Receipts Over Disbursements	89,372
Fund Cash Balances, January 1	140,995
Fund Cash Balances, December 31	\$ 230,367

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**VILLAGE OF HOLGATE
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Holgate, Henry County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police. The Village also contracts with the Henry County Sheriff's department to provide security of persons and property. The Village contracts with Pleasant Township to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

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:

**VILLAGE OF HOLGATE
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village 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.

Street Lighting Fund -This fund receives real estate and personal property tax monies to cover the cost of maintaining street lights.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Sanitary Sewer Bond Fund -This fund receives special assessments for the repayment of bonds and interest.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

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

Issue II Fund – This fund receives grant and loan revenues from the Ohio Public Works Commission to fund the Elevated Tank Replacement and the Storm Sewer and Curb Replacement projects.

**VILLAGE OF HOLGATE
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

5. Enterprise Funds

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

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

**VILLAGE OF HOLGATE
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

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 at December 31 was as follows:

	2003	2002
Demand deposits	\$ 99,514	\$ 139,086
Certificates of deposit	540,073	540,073
Total deposits	<u>\$ 639,587</u>	<u>\$ 679,159</u>

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**VILLAGE OF HOLGATE
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 250,000	\$ 209,325	\$ (40,675)
Special Revenue	74,500	88,897	14,397
Debt Service		135	135
Capital Projects	307,175	309,052	1,877
Enterprise	204,000	258,222	54,222
Total	<u>\$ 835,675</u>	<u>\$ 865,631</u>	<u>\$ 29,956</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 423,472	\$ 272,341	\$ 151,131
Special Revenue	260,463	79,230	181,233
Debt Service	53,078		53,078
Capital Projects	343,455	332,410	11,045
Enterprise	434,367	221,222	213,145
Total	<u>\$ 1,514,835</u>	<u>\$ 905,203</u>	<u>\$ 609,632</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 260,000	\$ 250,141	\$ (9,859)
Special Revenue	100,731	119,358	18,627
Debt Service		54	54
Capital Projects	367,120	375,227	8,107
Enterprise	192,000	255,832	63,832
Total	<u>\$ 919,851</u>	<u>\$ 1,000,612</u>	<u>\$ 80,761</u>

**VILLAGE OF HOLGATE
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 522,380	\$ 330,988	\$ 191,392
Special Revenue	282,290	123,015	159,275
Debt Service	53,025	2	53,023
Capital Projects	79,946	351,772	(271,826)
Enterprise	332,995	166,460	166,535
Total	\$ 1,270,636	\$ 972,237	\$ 298,399

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

**VILLAGE OF HOLGATE
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 168,345	2.00%
Ohio Public Works Commission Loan #1	18,415	
Ohio Public Works Commission Loan #2	73,074	
Total	\$ 259,834	

The Ohio Water Development Authority (OWDA) loan relates to a water tower. The OWDA has approved up to \$331,279 in loans and has a loan balance at \$168,345 to the Village for this project.

The loans will be repaid in semiannual installments of \$10,089, including interest, over 20 years.

The scheduled payment amount below assumes that \$331,279 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. 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 an elevated tank replacement. The OPWC has approved \$19,384 in interest free loans to the Village for this project. The loans will be repaid in semiannual installments of \$969 over 21 years. The loans are collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Loan #2 relates to storm sewer replacement and curb reconstruction. The OPWC has approved up to \$88,175 and has a loan balance at \$ 73,074 in interest free loans to the Village for this project. The loans will be repaid in semiannual installments of \$4,409, over 21 years. The scheduled payment amount below assumes that \$88,175 will be borrowed. The loans are collateralized by sewer 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:

**VILLAGE OF HOLGATE
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Year ending December 31:	OWDA Loan	OPWC Loan #1	OPWC Loan #2
2004	\$ 10,089	\$ 485	\$ 4,409
2005	20,178	969	4,409
2006	20,178	969	4,409
2007	20,178	969	4,409
2008	20,178	969	4,409
2009 – 2013	100,891	4,845	22,045
2014 – 2018	100,891	4,845	22,045
2019 – 2023	80,711	4,364	22,040
Total	<u>\$ 373,294</u>	<u>\$ 18,415</u>	<u>\$ 88,175</u>

7. RETIREMENT SYSTEMS

The Village’s law enforcement officers belong to the Ohio Police and Fire Pension Funds. Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants’ gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

**VILLAGE OF HOLGATE
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

10. SUBSEQUENT EVENTS

The Village received \$48,750 or 75 percent of the water and sewer tap fee from the Holgate Local School District in January 2004. The remaining \$ 16,250 or 25 percent of the fees is due upon the completion of the Holgate Water and Sewer Tap Project.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Holgate
Henry County
113 South Todd Street, P. O. Box 637
McComb, Ohio 45858-0637

To the Village Council:

We have audited the accompanying financial statements of the Village of Holgate, Henry County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated May 18, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion

on the financial statements and not to provide assurance on the internal control over financial reporting. 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. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Village in a separate letter dated May 18, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 18, 2004

**VILLAGE OF HOLGATE
HENRY COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above: including: “then and now” certificates, blanket certificates and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that 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 village can authorize the drawing of a warrant for the payment of the amount due. The village has thirty days from receipt of the “then and now” certificate to approve payment by ordinance or resolution.

2. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 Village.

Fiscal officers may prepare so-called “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months have been removed from the law. Effective September 26, 2003, purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

FINDING NUMBER 2003-001
(Continued)

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 40 percent of expenditures tested in 2003 and 2002. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. No indication the Village used any of the aforementioned exceptions for any of the noncompliant transactions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**VILLAGE OF HOLGATE
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2001-30135-001	Ohio Revised Code § 5705.41 (D)	No	Not corrected. Will repeat as finding 2003-001.
2001-30135-002	Ohio Revised Code § 5705.41 (B)	Yes	
2001-30135-003	Ohio Revised Code § 5705.10	Yes	
2001-30135-004	Reportable Condition - Income Tax Records	No	Partially corrected. A management letter recommendation will be made.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

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
JUNE 24, 2004**