

VILLAGE OF HOLLANSBURG

DAYTON REGION, DARKE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004



**Auditor of State
Betty Montgomery**

Village Council
Village of Hollansburg
P.O. Box 48
112 East Union Street
Hollansburg, Ohio 45332

We have reviewed the *Report of Independent Auditors'* of the Village of Hollansburg, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2004 through December 31, 2005. 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 *Report of Independent Auditors'* 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 *Report of Independent Auditors'* 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 5, 2006

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**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

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Manning & Associates CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

REPORT OF INDEPENDENT AUDITORS'

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

We have audited the accompanying financial statements of the Village of Hollansburg, Darke County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the 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 reasonably assure 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 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its large (i.e. major) funds separately for 2005 and 2004. 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 the 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, 2005 and 2004 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, 2005 and 2004 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 of Hollansburg, Darke County, as of December 31, 2005 and 2004, 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, 2005 and 2004. 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 a report dated July 14, 2006, on our consideration of the Village's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

July 14, 2006

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**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, 2005

	GOVERNMENTAL FUND TYPES		Total
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Taxes	\$ 14,716	\$ 6,771	\$ 21,487
Intergovernmental Receipts	48,698	11,378	60,076
Interest	138	0	138
Miscellaneous	<u>1,903</u>	<u>0</u>	<u>1,903</u>
Total Cash Receipts	\$ <u>65,455</u>	\$ <u>18,149</u>	\$ <u>83,604</u>
Cash Disbursements:			
General Government	\$ 15,638	\$ 0	\$ 15,638
Security of Persons and Property	14,497	5,490	19,987
Public Health Services	658	0	658
Leisure Time Activities	9,538	0	9,538
Basic Utility Services	16,524	0	16,524
Transportation	0	8,794	8,794
Community Environmnet	<u>3,402</u>	<u>0</u>	<u>3,402</u>
Total Cash Disbursements	\$ <u>60,257</u>	\$ <u>14,284</u>	\$ <u>74,541</u>
Total Receipts Over/ (Under) Disbursements	\$ 5,198	\$ 3,865	\$ 9,063
Fund Cash Balances, January 1, 2005	<u>5,696</u>	<u>11,014</u>	<u>16,710</u>
Fund Cash Balances, December 31, 2005	<u><u>\$ 10,894</u></u>	<u><u>\$ 14,879</u></u>	<u><u>\$ 25,773</u></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, 2004

	GOVERNMENTAL FUND TYPES		Total
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Taxes	\$ 14,641	\$ 7,247	\$ 21,888
Intergovernmental Receipts	48,476	9,727	58,203
Interest	172	0	172
Miscellaneous	<u>930</u>	<u>247</u>	<u>1,177</u>
Total Cash Receipts	<u>\$ 64,219</u>	<u>\$ 17,221</u>	<u>\$ 81,440</u>
Cash Disbursements:			
General Government	\$ 19,874	\$ 0	\$ 19,874
Security of Persons and Property	13,534	3,053	16,587
Public Health Services	642	0	642
Leisure Time Activities	27,732	0	27,732
Basic Utility Services	15,921	0	15,921
Transportation	3,471	12,778	16,249
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Disbursements	<u>\$ 81,174</u>	<u>\$ 15,831</u>	<u>\$ 97,005</u>
Total Receipts Over/ (Under) Disbursements	\$ (16,955)	\$ 1,390	\$ (15,565)
Other Financing Receipts/(Disbursements)			
Sale of Fixed Assets	<u>800</u>	<u>482</u>	<u>1,282</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>\$ (16,155)</u>	<u>\$ 1,872</u>	<u>\$ (14,283)</u>
Fund Cash Balances, January 1, 2004	<u>21,851</u>	<u>9,142</u>	<u>30,993</u>
Fund Cash Balances, December 31, 2004	<u><u>\$ 5,696</u></u>	<u><u>\$ 11,014</u></u>	<u><u>\$ 16,710</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Hollansburg of Darke County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, park operations, leisure time activities, and police services. The Village contracts with the Darke County Sheriff's Office to provide security of persons and property.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Village does not have any investments as of December 31, 2005. All funds are maintained in a general checking account.

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:

General Fund:

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds:

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds: (Continued)

Law Enforcement Fund - Receives money from semiannual tax settlements from the county auditor and is used to pay the expenses related to providing security of persons and property.

E. Budgetary Process

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

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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

A summary of 2005 and 2004 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.

**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of cash and investments at December 31 was as follows:

	2005	2004
Demand deposits	<u>\$ 25,773</u>	<u>\$ 16,710</u>

Deposits:

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2005, and 2004 was as follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 67,834	\$ 65,455	\$ (2,379)
Special Revenue	<u>16,620</u>	<u>18,149</u>	<u>1,529</u>
Total	<u>\$ 84,454</u>	<u>\$ 83,604</u>	<u>\$ (850)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 73,530	\$ 60,257	\$ 13,273
Special Revenue	<u>27,554</u>	<u>14,284</u>	<u>13,270</u>
Total	<u>\$101,084</u>	<u>\$ 74,541</u>	<u>\$ 26,543</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 81,557	\$ 65,019	\$ (16,538)
Special Revenue	<u>15,350</u>	<u>17,703</u>	<u>2,353</u>
Total	<u>\$ 96,907</u>	<u>\$ 82,722</u>	<u>\$ (14,185)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$103,408	\$ 81,174	\$ 22,234
Special Revenue	<u>24,493</u>	<u>15,831</u>	<u>8,662</u>
Total	<u>\$127,901</u>	<u>\$ 97,005</u>	<u>\$ 30,896</u>

**VILLAGE OF HOLLANSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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 payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village

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

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

5. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 2005 and 2004, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. As of December 31, 2005, the Village has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

In 2005 and 2004, 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

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MANNING & ASSOCIATES, CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT*
*AUDITING STANDARDS***

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

We have audited the financial statements of the Village of Hollansburg, Darke County (the Village), as of and for the years ended December 31, 2005, and 2004, and have issued our report thereon dated July 14, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider material weaknesses. In a separate letter to the Village's management dated July 14, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In a separate letter to the Village's management dated July 14, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

July 14, 2006



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 19, 2006**