

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Village Council
Village of Holloway
P.O. Box 152
Holloway, OH 43985

We have reviewed the *Independent Accountants' Report* of the Village of Holloway, Belmont County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2005 to December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 21, 2008

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VILLAGE OF HOLLOWAY
BELMONT COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Holloway
Belmont County
P. O. Box 152
Holloway, Ohio 43985

To the Village Council:

We have audited the accompanying financial statements of the Village of Holloway, Belmont County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (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, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position and cash flows 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 Holloway, Belmont County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 December 27, 2007, 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. While we do not opine on the internal control over financial reporting or on compliance, that reports 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 *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
December 27, 2007

VILLAGE OF HOLLOWAY
BELMONT 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 (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:			
Property and Other Local Taxes	\$3,603	\$23,748	\$27,351
Intergovernmental	52,742	10,592	63,334
Charges for Services		279	279
Fines, Licenses, and Permits	23		23
Earnings on Investments	5,370		5,370
Miscellaneous	11	368	379
	<u>61,749</u>	<u>34,987</u>	<u>96,736</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	6,000	22,536	28,536
Basic Utility Services	2,648		2,648
Transportation	6,825	17,591	24,416
General Government	25,372	1,110	26,482
	<u>40,845</u>	<u>41,237</u>	<u>82,082</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>20,904</u>	<u>(6,250)</u>	<u>14,654</u>
OTHER FINANCING (DISBURSEMENTS):			
Other Financing Sources (Uses)	<u>(4,862)</u>		<u>(4,862)</u>
Total Other Financing (Disbursements)	<u>(4,862)</u>		<u>(4,862)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	16,042	(6,250)	9,792
Fund Cash Balances, January 1	<u>29,456</u>	<u>50,864</u>	<u>80,320</u>
FUND CASH BALANCES DECEMBER 31	<u><u>\$45,498</u></u>	<u><u>\$44,614</u></u>	<u><u>\$90,112</u></u>

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

VILLAGE OF HOLLOWAY
BELMONT COUNTY

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

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$66,754
Miscellaneous	<u>336</u>
Total Operating Cash Receipts	<u>67,090</u>
OPERATING CASH DISBURSEMENTS:	
Personal Services	26,908
Fringe Benefits	4,484
Contractual Services	8,672
Supplies and Materials	10,979
Other	<u>200</u>
Total Operating Cash Disbursements	<u>51,243</u>
Operating Income/(Loss)	<u>15,847</u>
NON-OPERATING CASH DISBURSEMENTS:	
Redemption of Principal	7,196
Interest and Other Fiscal Charges	<u>5,955</u>
Total Non-Operating Cash Disbursements	<u>13,151</u>
Net Receipts Over Disbursements	2,696
Fund Cash Balances, January 1	<u>52,281</u>
FUND CASH BALANCES DECEMBER 31	<u><u>\$54,977</u></u>

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

VILLAGE OF HOLLOWAY
BELMONT 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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:			
Property and Other Local Taxes	\$3,610	\$20,936	\$24,546
Intergovernmental	51,927	11,810	63,737
Charges for Services		5,781	5,781
Fines, Licenses, and Permits	58		58
Earnings on Investments	5,469		5,469
Miscellaneous	923		923
	<u>61,987</u>	<u>38,527</u>	<u>100,514</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	10,006	22,836	32,842
Basic Utility Services	2,936		2,936
Transportation	3,072	9,165	12,237
General Government	33,445	173	33,618
	<u>49,459</u>	<u>32,174</u>	<u>81,633</u>
Total Cash Disbursements	<u>49,459</u>	<u>32,174</u>	<u>81,633</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>12,528</u>	<u>6,353</u>	<u>18,881</u>
OTHER FINANCING (DISBURSEMENTS):			
Other Financing Sources (Uses)	<u>(310)</u>		<u>(310)</u>
Total Other Financing (Disbursements)	<u>(310)</u>		<u>(310)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,218	6,353	18,571
Fund Cash Balances, January 1	<u>17,238</u>	<u>44,511</u>	<u>61,749</u>
FUND CASH BALANCES DECEMBER 31	<u><u>\$29,456</u></u>	<u><u>\$50,864</u></u>	<u><u>\$80,320</u></u>

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

VILLAGE OF HOLLOWAY
BELMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$69,817
Miscellaneous	2,580
Total Operating Cash Receipts	72,397
OPERATING CASH DISBURSEMENTS:	
Personal Services	35,200
Fringe Benefits	6,528
Contractual Services	11,791
Supplies and Materials	17,793
Other	4,391
Total Operating Cash Disbursements	75,703
Operating Income/(Loss)	(3,306)
NON-OPERATING CASH RECEIPTS:	
Earnings on Investments	903
Total Non-Operating Cash Receipts	903
NON-OPERATING CASH DISBURSEMENTS:	
Redemption of Principal	5,698
Interest and Other Fiscal Charges	7,452
Capital Outlay	2,091
Total Non-Operating Cash Disbursements	15,241
Net Receipts Over/(Under) Disbursements	(17,644)
Fund Cash Balances, January 1	69,925
FUND CASH BALANCES DECEMBER 31	\$52,281

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

VILLAGE OF HOLLOWAY
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Holloway, Belmont 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 utilities, police services, and fire protection.. The Village contracts with Belmont County to provide security of persons and property. The Village contracts with the Holloway Volunteer Fire Department to receive 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

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

2. Special Revenue Funds

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

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

VILLAGE OF HOLLOWAY
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

Fire Department Levy Fund - This fund receives property tax revenues to provide fire protection through the Village's volunteer fire department.

3. Enterprise Fund

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 Fund:

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

Water System Bond and Interest Fund - This fund receives charges for services from residents for the retirement of the water plant outstanding bond issue.

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 for each office, department, division and within each of those the amounts appropriated for personal services, 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.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

VILLAGE OF HOLLOWAY
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$132,746	\$120,258
Certificate of deposit	12,343	12,343
Total	<u>\$145,089</u>	<u>\$132,601</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$49,697	\$61,749	\$12,052
Special Revenue	25,200	34,987	9,787
Enterprise	67,034	67,090	56
Total	<u>\$141,931</u>	<u>\$163,826</u>	<u>\$21,895</u>

VILLAGE OF HOLLOWAY
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

3. BUDGETARY ACTIVITY (continued)

<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$76,534	\$45,707	\$30,827
Special Revenue	73,782	41,237	32,545
Enterprise	112,189	64,394	47,795
Total	<u>\$262,505</u>	<u>\$151,338</u>	<u>\$111,167</u>

<u>2005 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$251	\$61,987	\$61,736
Special Revenue	5,700	38,527	32,827
Enterprise	5,951	73,300	67,349
Total	<u>\$11,902</u>	<u>\$173,814</u>	<u>\$161,912</u>

<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	<u>Variance</u>
	<u>Authority</u>	<u>Expenditures</u>	
General	\$69,390	\$49,769	19,621
Special Revenue	66,971	32,174	34,797
Enterprise	147,801	90,944	56,857
Total	<u>\$284,162</u>	<u>\$172,887</u>	<u>\$111,275</u>

Contrary to Ohio law, appropriations exceeded estimated resources in the following fund types:

- General (2005)
- Special Revenue (2005)
- Enterprise (2005)

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

VILLAGE OF HOLLOWAY
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

4. PROPERTY TAX (continued)

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

Tangible personal property tax is assessed by the property owner, 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. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$152,714	4.50%
Litigation Settlement	<u>1,000</u>	0.00%
Total	<u><u>\$153,714</u></u>	

The Mortgage Revenue Bonds were issued for the construction of a new water plant. The bonds are being paid in annual installments of \$13,151, including interest over a twenty-five year period. The bonds will be paid from revenues derived by the Village from the operation of the water system.

The Village reached a settlement regarding litigation to which it was a defendant. The settlement required a payment of \$15,000 on February 26, 2000 and seven installments of \$1,000 each, which begin in the year 2001 and will end in the year 2007.

Amortization of the above debt follows:

Year ending December 31:	<u>Mortgage Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$6,223	\$6,928	\$13,151
2008	6,503	6,648	13,151
2009	6,795	6,356	13,151
2010	7,101	6,050	13,151
2011	7,755	5,396	13,151
2012-2016	45,882	21,873	67,755
2017-2021	45,148	20,607	65,755
2022-2023	<u>27,307</u>	<u>1,415</u>	<u>28,722</u>
	<u><u>\$152,714</u></u>	<u><u>\$75,273</u></u>	<u><u>\$227,987</u></u>

Year ending December 31:	<u>Litigation Settlement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$1,000</u>	<u> </u>	<u>\$1,000</u>

VILLAGE OF HOLLOWAY
BELMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The 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 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

Some of the Village's elected officials contribute to Social Security. This plan provides retirement benefits, including survivors and disability benefits, to participants. Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Villages also provides medical insurance for an employee.

8. CONTINGENT LIABILITIES

the Village is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, they believe the resolution of this matter will not materially adversely affect the Village's financial condition.

Amount grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow, However, based on prior experience, management believes any refunds would be immaterial

The Village is negotiating to resolve outstanding payroll tax liabilities from 2004 and 2003. The amount of taxes, penalties, and interest due to the U.S. Treasury is approximately \$2,600 for both years.

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KNOX & KNOX

Accountants and Consultants

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

Village of Holloway
Belmont County
P.O. Box 152
Holloway, Ohio 43985

To the Village Council:

We have audited the accompanying financial statements of the Village of Holloway, Belmont County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 27, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we communicated to the Village's management in a separate letter dated December 27, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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 an opinion. The results of our tests disclosed one instance of noncompliance that we must report under *Government Auditing Standards* and is shown in the accompanying schedule as Finding Number 2006-01.

We did note a certain noncompliance that we reported to the Village's management in a separate letter dated December 27, 2007.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
December 27, 2007

VILLAGE OF HOLLOWAY
BELMONT COUNTY
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-01

Ohio Revised Code Section 5705.39 requires that total appropriations shall not exceed estimated resources. During 2005, appropriations exceeded estimated resources in the General, Special Revenue, and Enterprise Fund types as follows:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund (2005)	\$17,489	\$69,390	(\$51,901)
Special Revenue Fund (2005)	\$50,211	\$66,971	(\$16,760)
Enterprise Fund (2005)	\$75,876	\$147,801	(\$71,925)

Client Response: None

VILLAGE OF HOLLOWAY
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Ohio Rev. Code Section 5705.41 requires all public expenditures to be charged to the appropriate fund	Yes	Finding is no longer valid.
2004-002	Ohio Rev. Code Section 135.18(A) requires depository to provide security for deposit.	Yes	Finding is no longer valid.
2004-003	Ohio Rev. Code Section 733.28 requires that the Clerk shall keep accurate books of account.	Yes	Finding is no longer valid.
2004-004	Ohio Rev. Code Section 5705.41(B) requires that expenditures shall not be made unless properly appropriated.	Yes	Finding is no longer valid.
2004-005	Ohio Rev. Code Section 5705.41(D) requires certification of funds by the fiscal officer.	Yes	Finding is no longer valid.
2004-006	Noncompliance with Indenture Agreement with USDA	Yes	Finding is no longer valid.
2004-007	Lack of records to reconcile charges with receipts for utility services.	Yes	Finding is no longer valid.
2004-008	Posting of Receipts - amounts were not always posted to the correct receipt account classification	Yes	Finding is no longer valid.
2004-09	Lack of payroll records	No	Partially corrected; reissued as a Recommendation in the Management Letter
2004-10	Lack of monthly bank reconciliations	Yes	Finding is no longer valid.
2004-11	Lack of controls to achieve financial statement assertions	No	Partially corrected; reissued as a Recommendation in the Management Letter.



Mary Taylor, CPA
Auditor of State

VILLAGE OF HOLLOWAY

BELMONT 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
MARCH 6, 2008**