



**Auditor of State
Betty Montgomery**

VILLAGE OF HOLLOWAY
BELMONT COUNTY

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**Auditor of State
Betty Montgomery**

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, 2002 and 2001. 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of States America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United. 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.

We were unable to determine the completeness of charges for services recorded in the Enterprise Fund Type for the years ended December 31, 2002 and 2001, and the Debt Service Fund Type for the year ended December 31, 2002. These utility revenues represent 94 percent and 86 percent of revenues of the Enterprise Fund Type for the years ended December 31, 2002 and 2001, respectively, and 63 percent of revenues in the Debt Service Fund Type for the year ended December 31, 2002.

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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence supporting the completeness and accuracy of charges for services in the Debt Service Fund for 2002, and in the Enterprise Funds for 2002 and 2001, 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, 2002 and 2001, 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 16, 2003, 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.

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Village of Holloway
Belmont County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the 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.

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 16, 2003

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, 2002**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$3,887	\$13,631	\$	\$	\$17,518
Intergovernmental	49,766	12,102			61,868
Licenses, Permits, and Fees	6				6
Charges for Services			5,183		5,183
Earnings on Investments	1,396	1,136	1,033		3,565
Other Revenue	3,869				3,869
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	58,924	26,869	6,216	0	92,009
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:					
Current:					
Security of Persons and Property	15,627	13,664			29,291
Public Health Service	457				457
Leisure Time Activities	85				85
Community Environment	178				178
Transportation	20,110	6,962			27,072
General Government	18,331				18,331
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	54,788	20,626	0	0	75,414
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	4,136	6,243	6,216	0	16,595
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts:					
Transfers-In			1,950		1,950
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	0	0	1,950	0	1,950
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	4,136	6,243	8,166	0	18,545
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	21,267	24,221	20,582	1,656	67,726
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$25,403</u>	<u>\$30,464</u>	<u>\$28,748</u>	<u>\$1,656</u>	<u>\$86,271</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, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$60,893
Total Operating Cash Receipts	60,893
Operating Cash Disbursements:	
Personal Services	23,822
Fringe Benefits	5,921
Contractual Services	11,973
Supplies and Materials	5,578
Total Operating Cash Disbursements	47,294
Operating Income/(Loss)	13,599
Non-Operating Cash Receipts:	
Interest	1,358
Total Non-Operating Cash Receipts	1,358
Non-Operating Cash Disbursements:	
Debt Service - Principal Payments	4,994
Debt Service - Interest Payments	8,157
Total Non-Operating Cash Disbursements	13,151
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,806
Transfers-In	1,500
Advances-In	1,000
Transfers-Out	(3,450)
Advances-Out	(1,000)
Net Receipts Over/(Under) Disbursements	(144)
Fund Cash Balances, January 1	43,010
Fund Cash Balances, December 31	\$42,866

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, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$3,471	\$13,526	\$	\$	\$16,997
Intergovernmental	52,078	11,697		7,500	71,275
Licenses, Permits, and Fees	36				36
Earnings on Investments	1,480	950	1,503		3,933
Other Revenue	2,682				2,682
Total Cash Receipts	59,747	26,173	1,503	7,500	94,923
Cash Disbursements:					
Current:					
Security of Persons and Property	10,813	13,579			24,392
Public Health Service	487				487
Leisure Time Activities	471				471
Transportation	17,015	7,263			24,278
General Government	20,179				20,179
Capital Outlay				5,827	5,827
Debt Service:					
Prinicpal Payments	5,000		4,779		9,779
Interest Payments	114		8,372		8,486
Total Cash Disbursements	54,079	20,842	13,151	5,827	93,899
Total Cash Receipts Over/(Under) Cash Disbursements	5,668	5,331	(11,648)	1,673	1,024
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	1,950				1,950
Transfers-In	1,220		15,101		16,321
Advances-In	500				500
Transfers-Out				(1,220)	(1,220)
Advances-Out	(500)				(500)
Total Other Financing Receipts/(Disbursements)	3,170	0	15,101	(1,220)	17,051
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	8,838	5,331	3,453	453	18,075
Fund Cash Balances, January 1	12,429	18,890	17,129	1,203	49,651
Fund Cash Balances, December 31	\$21,267	\$24,221	\$20,582	\$1,656	\$67,726

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, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$66,185
Miscellaneous	882
	67,067
Total Operating Cash Receipts	67,067
Operating Cash Disbursements:	
Personal Services	23,688
Fringe Benefits	7,202
Contractual Services	14,089
Supplies and Materials	5,351
Capital Outlay	795
	51,125
Total Operating Cash Disbursements	51,125
Operating Income/(Loss)	15,942
Non-Operating Cash Receipts:	
Interest	2,765
	2,765
Total Non-Operating Cash Receipts	2,765
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	18,707
Transfers-In	2,009
Advances-In	4,500
Transfers-Out	(17,110)
Advances-Out	(4,500)
	3,606
Net Receipts Over/(Under) Disbursements	3,606
Fund Cash Balances, January 1	39,404
Fund Cash Balances, December 31	\$43,010

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

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

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 the water utility, road maintenance, police services, and fire protection. The Village contracts with the Holloway Volunteer Fire Department and the Belmont County Sheriff, for fire and police protection, respectively.

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

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:

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 roads.

Police Levy Fund - This fund receives property taxes to provide police protection.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

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

Water System Bond and Interest Fund - This fund receives charges for services from residents to pay the principal and interest related to the improvements in the water plant.

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 projects fund:

Water Improvement Projects Construction Fund – This fund receives charges for services from residents to construct and repair water lines.

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 Fund:

Water Operating 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, function, or object level of control and appropriations may not exceed estimated resources. 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.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 2002 and 2001 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.

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:

	2002	2001
Demand deposits	\$116,805	\$98,404
Certificates of deposit	12,332	12,332
Total deposits	\$129,137	\$110,736

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

At December 31, 2002 and 2001, \$27,858 and \$10,731 of deposits were not insured or collateralized, contrary to Ohio law.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001, follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,970	\$58,924	(\$46)
Special Revenue	24,890	26,869	1,979
Debt Service	16,001	8,166	(7,835)
Enterprise	69,480	63,751	(5,729)
Total	\$169,341	\$157,710	(\$11,631)

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,309	\$54,788	\$3,521
Special Revenue	17,300	20,626	(3,326)
Debt Service	13,151	0	13,151
Enterprise	65,506	63,895	1,611
Total	<u>\$154,266</u>	<u>\$139,309</u>	<u>14,957</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,810	\$62,917	\$5,107
Special Revenue	23,850	26,173	2,323
Debt Service	15,921	16,604	683
Capital Projects	0	7,500	7,500
Enterprise	68,900	71,841	2,941
Total	<u>\$166,481</u>	<u>\$185,035</u>	<u>18,554</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,050	\$54,079	\$5,971
Special Revenue	23,810	20,842	2,968
Debt Service	13,151	13,151	0
Capital Projects	9,520	5,827	3,693
Enterprise	63,641	68,235	(4,594)
Total	<u>\$170,172</u>	<u>\$162,134</u>	<u>8,038</u>

Contrary to Ohio law, appropriations exceed estimated resources by \$7,106 in the Capital Projects Fund in 2001. Also, contrary to Ohio law, appropriations as approved by Village Council did not always agree to appropriation amounts recorded in the Village's computer system.

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.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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 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. DEBT

Debt outstanding at December 31, 2002, was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$176,280	4.5%
Litigation Settlement	5,000	0%

The Mortgage Revenue Bonds were issued for the construction of a new water plant. The bonds are being repaid 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. While the Village has made the required payments, it has not complied with all requirements of the mortgage revenue bond covenant.

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 annual payments of \$1,000 each, from the General Fund which began in the year 2001 and will end in the year 2007.

The Village maintains two lines-of-credit of \$15,000 and \$10,000 with a local financial institution. Both lines-of-credit are secured with the Village's certificates of deposit and no amounts remain outstanding as of December 31, 2002.

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

	Mortgage Revenue Bonds	Litigation Settlement
Year ending December 31:		
2003	\$13,151	\$1,000
2004	13,151	1,000
2005	13,151	1,000
2006	13,151	1,000
2007	13,151	1,000
2008 - 2012	65,755	
2013 - 2017	65,755	
2018 - 2022	65,755	
2023	13,142	
Total	\$276,162	\$5,000

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEM

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village also provides medical insurance for employees.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
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, (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 16, 2003, wherein we noted we were unable to satisfy ourselves as to the completeness of charges for services receipts in the Enterprise Fund for 2002 and 2001 and the Debt Service Fund for 2002. Except as described in the preceding sentence, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2002-3001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 16, 2003.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-006 through 2002-008.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses. We also 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 16, 2003.

This report is intended solely for the information and use of management, and the 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 16, 2003

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citations

Ohio Rev. Code Sections 135.18 and 135.181 require all public funds on deposit with a financial institution in excess of federal deposit insurance to be collateralized by specifically pledged securities or a pool of eligible securities for all public funds. In addition, the Village Clerk/Treasurer may request no more than four times per year, a statement from its financial institution indicating the amount of public monies deposited by the Village Clerk/Treasurer and secured by a pledge or pool of eligible securities.

At December 31, 2002 and 2001, \$27,858 and \$10,731 of deposits were not insured or collateralized. By not having properly collateralized deposits could result in the loss of Village funds, should the depository fail.

We recommend the Village obtain collateralization for all funds on deposit with the designated depository exceeding \$100,000. We further recommend the Village request and keep on file a statement of those securities pledged as collateral, or a statement of the pool of eligible securities, on a quarterly basis.

FINDING NUMBER 2002-002

Ohio Rev. Code Section 149.351(A) provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under Section 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully. Also, Ohio Rev. Code Section 733.28 states in part the Village Clerk shall keep the books of the Village and exhibit accurate statements of all moneys received and expended.

For both 2002 and 2001, supporting documentation for the collection of water utility services was not presented for audit. Therefore, Enterprise Fund type revenues were unable to be subject to auditing procedures.

We recommend the Village maintain an accurate ledger of customer accounts, which should include each customer's name, account number, address of service, billings, meter readings, payments, and current account balance. We further recommend the Village retain all supporting documentation, including remittance stubs and meter readings. Remittance stubs should indicate the date paid and the receipt number, and should be filed by month or other reasonable method. All water utility activity should be recorded on the Village's accounting system as prescribed by Village policy.

FINDING NUMBER 2002-003

Ohio Rev. Code Section 5705.39 requires appropriations from each fund to be limited to total estimated resources.

During 2001, appropriations exceeded estimated resources by \$7,106 in the Capital Projects Fund.

We recommend the Village compare proposed appropriations with the Certificate of Estimated Resources to ensure that appropriations will not exceed the Village's estimated resources prior to Council authorizing the original appropriations or approving and amendments.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

FINDING NUMBER 2002-004

Noncompliance Citations (Continued)

Ohio Rev. Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

The appropriations as approved by Village Council did not agree with the appropriations entered into the computer system. Schedules comparing these amounts follow:

December 31, 2002:

Fund	Appropriations posted to the UAN System	Approved Appropriations	Variance
Fire and EMS Levy Equipment Fund	\$3,600	\$2,100	\$1,500
Street Light Levy Fund	\$1,600	\$1,150	\$450
Fire Department Levy Fund	\$8,773	\$6,900	\$1,873
Water Operating Fund	\$48,225	\$46,155	\$2,070
Water Emergency and Improvement Fund	\$21,601	\$19,101	\$2,500

December 31, 2001:

Fund	Appropriations posted to the UAN System	Approved Appropriations	Variance
General Fund	\$61,899	\$60,050	\$1,849
Fire and EMS Levy Equipment Fund	\$4,185	\$2,100	\$2,085
Street Light Levy Fund	\$1,320	\$1,100	\$220
Water Operating Fund	\$51,743	\$46,040	\$5,703
Water Emergency and Improvement Fund	\$23,670	\$17,301	\$6,369

We additionally noted instances in which approved appropriations did not agree with the computer system at the legal level of control. Appropriations as reported in the notes to the financial statements have been adjusted to reflect only those appropriations adopted by Village Council, as noted in Village Council's minutes.

We recommend Village Council approve all appropriation amendments and note the approval in the minutes, the Village Clerk/Treasurer file all appropriation amendments with the County Auditor in order to receive certification from the County Auditor that appropriations do not exceed estimated resources, and the Village Clerk/Treasurer post appropriation amendments to the computer system only after both Village Council and the County Auditor have approved and certified the amendments.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-005

Noncompliance Citations (Continued)

The Indenture of Mortgage signed September 18, 1997, between the Village and the United States Department of Agriculture Rural Development, under Section 10 and Village Bond Ordinance No. 433, contain covenants requiring, in part, the following:

1. Equal monthly payments shall be made from the Water Operating Account to the Water System Revenue Bond and Interest Payment Account (Bond Payment Account) in an amount sufficient to provide payment for the interest and next ensuing principal maturity.
2. Equal monthly payments shall be made from the Water Operating Account to the Water System Reserve Account until the balance of the Reserve Account is equal to 10% of the original Revenue Bonds. These payments shall be made at a rate of 1/120th of the required reserve.
3. A Surplus Fund shall be established, and into this fund the excess revenues available in the Water Operating Fund shall be transferred annually.

We noted the following instances of noncompliance:

1. Although the required debt payments were made in both years, equal monthly payments were not made during 2002 and 2001 from the Water Operating Fund to the Water System Bond and Interest Fund. Instead, no payments were made into the Water System Bond and Interest Fund in 2002 until August, and the required interest and principal payment was made from the Water Emergency Improvement Fund. In 2001, no monthly payments were made to the Water System Bond and Interest Fund, but instead a transfer was made from the Water Emergency Improvement Fund to the Water System Bond and Interest Fund in the full amount of principal and interest due.
2. Although the required reserve amount was paid in one lump sum for both years, equal monthly payments were not made from the Water Operating Account to the Water System Reserve Fund in the amount prescribed by the Indenture of Mortgage.
3. A Surplus Fund has not been established, and the excess revenues of the Water Operating Fund were not transferred annually for 2002 and 2001. We estimate that \$5,631 in excess revenues should have been transferred to the Surplus Fund during the period.

We recommend the Village allocate the required amounts from the Water Operating Fund to both the Water System Bond and Interest Fund and the Water System Reserve Fund as required by the Indenture of Mortgage. We also recommend the Village establish a Surplus Fund and make annual transfers of excess revenues from the Water Operating Fund.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-006

Material Weaknesses - Payroll System

During the review of the Village's payroll system, we noted the following conditions:

- 1) Salaries and rates of pay for the Village Clerk/Treasurer, Mayor and employees were not approved by Council in the minutes. Additionally, no documentation of Village Council's pay per meeting was provided.
- 2) Timecards, or some other method, were not used by employees to document hours worked, including overtime.
- 3) Personnel files were not established for each official/employee.
- 4) Withholding authorization forms were not on file for each official and employee, including membership or exemption forms for PERS, and W-4's.
- 5) While leave is tracked in the computer system, Village Council did not approve accrual rates for sick or vacation leave, nor is there a policy in place documenting eligibility for leave. Additionally, no source documentation exists showing date, type, and amount of leave taken by employees, nor did Village Council approve such in the minute record.

These conditions could result in officials/employee being compensated incorrectly, incorrect compensated leave being taken by the employee and/or incorrect payment of accumulated leave to the employee upon termination of employment. These conditions could also result in inaccurate or incorrect withholdings being taken from employee pay, or late penalties, interest and fees being incurred by the Village. Further, the lack of vacation and sick leave records did not allow us to determine compliance with certain requirements.

We recommend the following:

- 1) Salaries and hourly rates of pay should be established each year by Village Council in the minutes and should also document raises to be received, if applicable.
- 2) Timecards should be use to document hours worked for each hourly employee, as well as overtime hours. Timecards should be signed by supervisory personnel and approved by Village Council.
- 3) Personnel files should be established and maintained for each employee/official and should contain pertinent information including, but not limited to, employment application, date of hire, tax withholding forms, retirement forms, voluntary deduction forms, approved pay rate information, policy acknowledgment forms, and evaluations.
- 4) Leave forms should be used by employees when taking leave. Forms should indicate type of leave and number of hours, and should be signed by the employee and supervisory personnel and approved by Village Council. Village Council should also adopt a policy concerning amount of leave accrued annually and eligibility for such leave, as well as any leave amounts to be carried over annually.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

FINDING NUMBER 2002-007

Material Weaknesses (Continued)

Posting of Receipts

Numerous reclassifications were required in 2002 to properly reflect revenues received in the taxes and intergovernmental revenue line items. Amounts were not always posted in accordance with the County Auditor Tax Settlement Sheets and revenues were also posted inconsistently and incorrectly in many instances. Reconstruction of the receipts ledger in these line items was necessary to determine the needed reclassifications.

This could result in unreliable budget to actual revenue comparisons for use by Village Council as a basis for management decisions and could result in financial statements to be materially misstated.

We recommend the Village Clerk/Treasurer use due care in posting receipts to the computer system and consult the Village Officer's Handbook to assist in determining the proper classification of revenues.

FINDING NUMBER 2002-008

Approval of Lines-of-Credit

During the period, the Village had two open lines of credit with Wesbanco; one in the amount of \$15,000 and the other in the amount of \$10,000. While lines of credit may be used by Villages for financing purposes, Village Council and the Mayor were not aware of the existence of these accounts, nor were they aware of the purpose of their existence or the current balances.

Further investigation revealed the Village's certificates of deposit were pledged as collateral against these lines of credit. The \$15,000 line of credit was used for the purpose of paying a lawsuit settlement and the \$10,000 line of credit was used to pay back payments due to Medicare and attorney fees. Both lines of credit have no outstanding balances due as of December 31, 2002.

A control environment in which Village Council is unaware of all Village accounts and the activities in those accounts demonstrates a weakness that could lead to fraud or other discrepancies occurring and remain undetected. Additionally, certificates of deposit being pledged against the lines of credit limit the Village's access to those funds.

We recommend Village Council carefully review pertinent financial information and make appropriate inquiries to help determine the integrity of financial information and activity of the Village. Village Council should take proper measures to ensure they are aware of all accounts and activity of the Village and should approve both the opening and closing of accounts. We also recommend the Village consider the necessity of having the open lines of credit. In the event Village Council wishes to maintain lines of credit, we recommend such accounts be collateralized solely by the Village's taxing authority, and not by the Village's certificates of deposit.



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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
AUGUST 19, 2003**