

VILLAGE OF HOLLOWAY

BELMONT COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2014 and 2013





Dave Yost • Auditor of State

Village Council
Village of Holloway
309 Ashton St.
Holloway, OH 43985

We have reviewed the *Independent Auditor's Report* of the Village of Holloway, Belmont County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. 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.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 1, 2015

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VILLAGE OF HOLLOWAY
BELMONT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2014 and 2013

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1-2
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2014	3
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2014	4
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2013	5
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2013	6
Notes to the Financial Statements	7-13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14-15
Schedule of Findings	16-17

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INDEPENDENT AUDITOR'S REPORT

Village of Holloway
Belmont County
309 Ashton Street
Holloway, OH 43985

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Holloway, Belmont County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Holloway, Belmont County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

June 28, 2015

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 6,004	\$ 21,831	\$ 27,835
Intergovernmental	25,448	15,842	41,290
Fines, Licenses and Permits	2,284	-	2,284
Earnings on Investments	574	-	574
Miscellaneous	25,188	-	25,188
<i>Total Cash Receipts</i>	<u>59,498</u>	<u>37,673</u>	<u>97,171</u>
Cash Disbursements			
Current:			
Security of Persons and Property	-	19,237	19,237
Basic Utility Services	5,181	-	5,181
Transportation	6,540	12,035	18,575
General Government	39,059	655	39,714
<i>Total Cash Disbursements</i>	<u>50,780</u>	<u>31,927</u>	<u>82,707</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	8,718	5,746	14,464
<i>Fund Cash Balances, January 1</i>	<u>40,065</u>	<u>31,620</u>	<u>71,685</u>
Fund Cash Balances, December 31			
Restricted	-	37,366	37,366
Assigned	480	-	480
Unassigned	48,303	-	48,303
<i>Fund Cash Balances, December 31</i>	<u>\$ 48,783</u>	<u>\$ 37,366</u>	<u>\$ 86,149</u>

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

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 72,934
<i>Total Operating Cash Receipts</i>	72,934
Operating Cash Disbursements	
Personal Services	23,850
Fringe Benefits	2,499
Contractual Services	9,968
Supplies and Materials	13,963
Claims	56
Other	68
<i>Total Operating Cash Disbursements</i>	50,404
<i>Operating Income (Loss)</i>	22,530
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	12,088
Miscellaneous	10,280
Capital Outlay	(22,368)
Principal Retirement	(18,490)
Interest and Other Fiscal Charges	(5,208)
<i>Total Non-Operating Receipts (Disbursements)</i>	(23,698)
<i>Net Change in Fund Cash Balance</i>	(1,168)
<i>Fund Cash Balances, January 1</i>	40,779
<i>Fund Cash Balances, December 31</i>	<u>\$ 39,611</u>

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

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 7,962	\$ 21,974	\$ 29,936
Intergovernmental	25,086	16,107	41,193
Fines, Licenses and Permits	2,377	-	2,377
Earnings on Investments	603	-	603
Miscellaneous	5,528	-	5,528
<i>Total Cash Receipts</i>	<u>41,556</u>	<u>38,081</u>	<u>79,637</u>
Cash Disbursements			
Current:			
Security of Persons and Property	-	23,317	23,317
Basic Utility Services	5,857	-	5,857
Transportation	5,116	17,311	22,427
General Government	29,665	664	30,329
<i>Total Cash Disbursements</i>	<u>40,638</u>	<u>41,292</u>	<u>81,930</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	918	(3,211)	(2,293)
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	3,000	-	3,000
Advances In	-	2,800	2,800
Advances Out	(2,800)	-	(2,800)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>200</u>	<u>2,800</u>	<u>3,000</u>
<i>Net Change in Fund Cash Balances</i>	1,118	(411)	707
<i>Fund Cash Balances, January 1</i>	<u>38,947</u>	<u>32,031</u>	<u>70,978</u>
Fund Cash Balances, December 31			
Restricted	-	31,620	31,620
Assigned	388	-	388
Unassigned	39,677	-	39,677
<i>Fund Cash Balances, December 31</i>	<u>\$ 40,065</u>	<u>\$ 31,620</u>	<u>\$ 71,685</u>

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

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Types Enterprise
Operating Cash Receipts	
Charges for Services	\$ 73,213
Miscellaneous	1,707
	74,920
<i>Total Operating Cash Receipts</i>	74,920
Operating Cash Disbursements	
Personal Services	28,320
Fringe Benefits	3,406
Contractual Services	11,930
Supplies and Materials	13,339
Claims	3,355
Other	200
	60,550
<i>Total Operating Cash Disbursements</i>	60,550
<i>Operating Income (Loss)</i>	14,370
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	7,014
Capital Outlay	(10,614)
Principal Retirement	(8,104)
Interest and Other Fiscal Charges	(5,047)
	(16,751)
<i>Total Non-Operating Receipts (Disbursements)</i>	(16,751)
<i>Net Change in Fund Cash Balance</i>	(2,381)
<i>Fund Cash Balances, January 1</i>	43,160
<i>Fund Cash Balances, December 31</i>	\$ 40,779

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, 2014 and 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Holloway, Belmont County, (the Village) as a body corporate and politic. A publicly-elected six member Council directs the Village. The Village provides general governmental services such as water and sewer utilities, park operations, and police services. The Village contracts with the Holloway Volunteer Fire Department to receive fire protection services and with the Belmont County for police services. The Village is involved with the Belomar Regional Council which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 9.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool. Note 8 to the financial statement provides additional information about this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**Village of Holloway
Belmont County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

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

Street Light Fund – This fund receives tax revenue to cover expenses associated with the operation, repairs and maintenance of street lights.

Police Levy Fund – This fund receives tax revenue to provide police protection through Belmont County.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Water Debt Service Fund - This fund receives monthly transfers from the Water Operating Fund to meet the Debt Service requirements related to water operations.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried forward to the subsequent year.

**Village of Holloway
Belmont County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Village of Holloway
Belmont County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies (continued)

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2014	2013
Demand deposits	\$113,417	\$100,121
Certificate of deposit	12,343	12,343
Total deposits and investments	\$125,760	\$112,464

Deposits: 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, 2014 and 2013 follows:

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$73,147	\$51,260	\$21,887
Special Revenue	58,971	31,927	27,044
Enterprise	102,013	97,135	4,878
Total	\$234,131	\$180,322	\$53,809

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,310	\$59,498	\$23,188
Special Revenue	35,475	37,673	2,198
Enterprise	82,991	95,302	12,311
Total	\$154,776	\$192,473	\$37,697

**Village of Holloway
Belmont County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

3. Budgetary Activity (continued)

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$74,074	\$43,826	\$30,248
Special Revenue	67,918	41,292	26,626
Enterprise	105,295	84,939	20,356
Total	<u>\$247,287</u>	<u>\$170,057</u>	<u>\$77,230</u>

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,155	\$44,556	\$9,401
Special Revenue	35,887	40,881	4,994
Enterprise	75,286	81,934	6,648
Total	<u>\$146,328</u>	<u>\$167,371</u>	<u>\$21,043</u>

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Belmont 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, 2014 was as follows:

	Principal	Interest Rate
OWDA Loan # 6522	\$7,232	4.42%
USDA Loan # 91-01	95,585	4.50%
Total	<u>\$102,817</u>	

The Ohio Development Authority (OWDA) Loan # 6522 was entered into to finance improvements of the Village's water system. The project was started in 2013 and \$7,232 of the estimated \$68,006 loan amount has been drawn. This loan will be repaid in semi-annual installments over five years at 4.42% interest. The amortization schedule will be finalized when the project is completed.

The United State Department of Agriculture (USDA) Loan # 91-01 was entered into in 1997 to finance the expansion and improvement of the Village water system. The loan is being repaid over 25 years in annual installments totaling \$13,151 including interest of 4.5%. The loan is collateralized by the Village's water receipts.

**Village of Holloway
Belmont County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

6. Debt – (continued)

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

Year ending December 31:	USDA Loan # 91-01
2015	\$ 13,151
2016	13,151
2017	13,151
2018	13,151
2019	13,151
2020-2024	52,602
Total	\$ 118,357

7. Retirement Systems

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

For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2014.

8. Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

**Village of Holloway
Belmont County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

8. Risk Pool Membership (continued)

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$3,793	\$3,871

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Jointly Governed Organizations

Belomar Regional Council

Belomar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by each local government within Belmont County. The Council is not dependent upon the Village of Holloway for its continued existence, no debt exists, and the Village does not maintain an equity interest. During 2013, the Village contributed \$114 to Belomar Regional Council. There were no contributions during 2014.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Holloway
Belmont County
309 Ashton Street
Holloway, OH 43985

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Holloway, Belmont County (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 28, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 28, 2015.

Entity's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Charles E. Harris and Associates, Inc.
June 28, 2015

**VILLAGE OF HOLLOWAY
BELMONT COUNTY
SCHEDULE OF FINDINGS
December 31, 2014 and 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2014-001 - Material Weakness

During 2014 and 2013, the Village erroneously recorded numerous transactions. The more significant adjustments are as follows:

- Recorded rollbacks as property and other local taxes instead of intergovernmental receipts
- Recorded sale of capital asset as other financing sources
- Recorded expenses associated with the purchase of a truck as interest and other fiscal charges instead of capital outlay
- Recorded extensive repairs done at the water plant as other financing uses instead of capital outlay.
- Recorded OWDA payments to vendors as special assessment instead of proceeds of loan receipts while recording the equivalent outlay as other financing uses instead of capital outlay.
- Recorded gas lease as charges for services instead of miscellaneous revenue.
- Recorded various restitutions, refunds and donation as charges for services instead of miscellaneous revenues
- Recorded various department expenditures as other financing uses instead of general government
- Recorded various water receipts as other financing sources instead of charges for services
- Failed to record the proceeds of a loan and the capital outlay related to the loan thus, understating receipts and disbursements
- Recorded principal and interest payments in incorrect amounts per line item.

Adjustments were made in the financial statements and Village records.

The Village Officers' Handbook and the UAN accounting system provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend that the Village refer to the Village Officer's Handbook and UAN accounting system to properly classify its transactions. We also recommend the Fiscal Officer review all reports compiled by UAN to ensure their accuracy.

Management Response: Management is aware of the findings and will take appropriate measure to address these issues going forward.

Finding Number 2014-002 – Noncompliance

Ohio Rev. Code 5705.41(D) – Purchase Orders

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a 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.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY
SCHEDULE OF FINDINGS - continued
December 31, 2014 and 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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Finding Number 2014-002 – Noncompliance (continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 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.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of 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.

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

During fiscal years 2014 and 2013, 30% of purchase orders tested were not certified by the Village Clerk prior to incurring the obligation. The transactions had no evidence of the above mentioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

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 expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability.

Management Response: See management response in finding 2014-001

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Dave Yost • 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
SEPTEMBER 10, 2015**