



Dave Yost • Auditor of State



VILLAGE OF HOLLOWAY  
BELMONT COUNTY  
DECEMBER 31, 2015

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Holloway, Belmont County, Ohio (the Village) as of and for the year ended December 31, 2015.

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis 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, 2015, or changes in financial position thereof for the year 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, receipts and disbursements by fund type, and the related notes of the Village of Holloway, Belmont County as of December 31, 2015, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 11, 2017

**Village of Holloway**  
*Belmont County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$6,424	\$24,352	\$30,776
Intergovernmental	30,337	18,640	48,977
Fines, Licenses and Permits	2,546	0	2,546
Earnings on Investments	657	0	657
Miscellaneous	152	0	152
<i>Total Cash Receipts</i>	<u>40,116</u>	<u>42,992</u>	<u>83,108</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	0	12,523	12,523
Basic Utility Services	3,394	0	3,394
Transportation	7,706	11,342	19,048
General Government	44,362	83	44,445
<i>Total Cash Disbursements</i>	<u>55,462</u>	<u>23,948</u>	<u>79,410</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,346)</u>	<u>19,044</u>	<u>3,698</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	1,791	0	1,791
Other Financing Uses	(6,280)	0	(6,280)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,489)</u>	<u>0</u>	<u>(4,489)</u>
<i>Net Change in Fund Cash Balances</i>	(19,835)	19,044	(791)
<i>Fund Cash Balances, January 1</i>	<u>48,783</u>	<u>37,366</u>	<u>86,149</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	56,410	56,410
Assigned	15,735	0	15,735
Unassigned (Deficit)	13,213	0	13,213
<i>Fund Cash Balances, December 31</i>	<u>\$28,948</u>	<u>\$56,410</u>	<u>\$85,358</u>

See accompanying notes to the basic financial statements

**Village of Holloway**  
*Belmont County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2015*

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$69,244
<i>Total Operating Cash Receipts</i>	69,244
<b>Operating Cash Disbursements</b>	
Personal Services	26,777
Employee Fringe Benefits	2,609
Contractual Services	10,715
Supplies and Materials	7,322
Claims	830
Other	50
<i>Total Operating Cash Disbursements</i>	48,303
<i>Operating Income</i>	20,941
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	35,758
Capital Outlay	(34,360)
Principal Retirement	(10,538)
Interest and Other Fiscal Charges	(4,301)
Other Financing Sources	1,588
<i>Total Non-Operating Receipts (Disbursements)</i>	(11,853)
<i>Income before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	9,088
Special Item	400
<i>Net Change in Fund Cash Balances</i>	9,488
<i>Fund Cash Balances, January 1</i>	39,611
<i>Fund Cash Balances, December 31</i>	\$49,099

*See accompanying notes to the basic financial statements*



**Village of Holloway, Ohio**  
*Belmont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 - Reporting Entity**

The Village of Holloway, Belmont County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, police services, as well as fire and ambulance services. The Village contracts with Holloway Volunteer Fire Department to receive fire protection services. The Village also contracts with the Belmont County Sheriff's Department to provide security of persons and property.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Village participates in the Public Entities Pool of Ohio (PEP), which is a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. The Village also participates in Bel-O-Mar Regional Council, which is 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. Notes 6 and 10 to the financial statements provides additional information for these entities.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Policy Levy Fund*** The policy levy fund receives tax levy proceeds for the purpose of providing police services to Village residents.

***Fire Department 1999 Levy Fund*** The fire department 1999 levy fund receives tax levy proceeds for the purpose of providing fire services to Village residents.

**Village of Holloway, Ohio**  
*Belmont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
(Continued)

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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 Operating Fund** The water operating fund accounts for charges for services revenue received from the Village residents to cover water service costs.

**Water Improvement Fund** The water improvement fund accounts for loan and grant proceeds from the Ohio Water Development Authority and United States Department of Agriculture – Rural Development and project costs associated with the Village’s water line project.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

**Budgetary Process**

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

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

**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 2015 budgetary activity appears in Note 3.

**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.

**Capital Assets**

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

**Village of Holloway, Ohio**  
*Belmont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
(Continued)

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Fund Balance**

Fund balance is divided into three 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:

**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.

**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.

**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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,250	\$41,907	(\$17,343)
Special Revenue	35,850	42,992	7,142
Enterprise	69,184	106,990	37,806
Total	\$164,284	\$191,889	\$27,605

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,832	\$61,742	\$28,090
Special Revenue	64,217	23,948	40,269
Enterprise	108,853	97,502	11,351
Total	\$262,902	\$183,192	\$79,710

**Village of Holloway, Ohio**  
*Belmont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
(Continued)

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**Note 3 - Budgetary Activity (Continued)**

Contrary to Ohio Rev. Code § 5705.10 (D), certain receipts and expenditures were not always posted to the correct fund.

Contrary to Ohio Rev. Code § 5705.40, Village Council did not always approve amended or supplemental appropriations.

**Note 4 – 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:

	<u>2015</u>
Demand deposits	\$122,114
Certificates of deposit	<u>12,343</u>
Total deposits and investments	<u><u>\$134,457</u></u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 5 – Taxes**

***Property Taxes***

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.

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

**Note 6 - Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**Village of Holloway, Ohio**  
*Belmont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
(Continued)

**Note 6 - Risk Management (Continued)**

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. 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 York. 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, 2015, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Government's share of these unpaid claims collectible in future years is approximately \$2,000.

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>2014</u>	<u>2015</u>
\$3,871	\$3,836

**Village of Holloway, Ohio**  
*Belmont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
(Continued)

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**Note 6 - Risk Management (Continued)**

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.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

All Village employees and some of the Village elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

***Social Security***

All of the Village's council members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Village of Holloway, Ohio**  
*Belmont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
(Continued)

**Note 9 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	<b>Principal</b>
Ohio Water Development Authority Loan 6522*	\$42,340
United States Department of Agriculture - Rural Development Loan 91-01	86,735
Total	\$129,075

\*Amortization Schedule not completed as of 12/31/2015

The Ohio Water Development Authority (OWDA) and United States Department of Agriculture – Rural Development (USDA) loans relate to a Village water line replacement project. The OWDA approved up to \$67,500 in loans to the Village for this project, in which the Village drew down \$35,757 during 2015 and will repay in semiannual installments over 5 years. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village draws down. The Village has an existing loan with the USDA for mortgage revenue bonds issued in 1997 in the amount of \$195,000 by the USDA for the Village. The Village is repaying the loan in semiannual installments of \$13,151, including interest, over 25 years. Water receipts collected from Village customers collateralize both loans. The Village has agreed to set utility rates sufficient to cover OWDA and USDA debt service requirements.

The debt covenant for the USDA requires the Village to establish and fund a bond account from which annual principal and interest payments will be paid as they become due, a debt service reserve fund in which a fraction of a percentage of the bond amount will be set aside each month should the Village become unable to make its annual principal and interest payments, and a surplus account to which excess funds not needed for the operation of the Water Plant will be deposited. The balances in these funds at December 31, 2015 are \$4,480, \$18,202, and \$11,631, respectively.

***Amortization***

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

Year ending	
December 31:	<b>USDA Loan</b>
2016	\$13,151
2017	13,151
2018	13,151
2019	13,151
2020	13,151
2021-2025	39,453
Total	\$105,208

**Note 10 – Jointly Governed Organizations**

The Bel-O-Mar 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 Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the Village of Holloway services as the Village’s representative on the board.

**Village of Holloway, Ohio**  
*Belmont County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*  
(Continued)

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**Note 10 – Jointly Governed Organizations (Continued)**

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 2015, the Village made one payment of \$112 to Bel-O-Mar Regional Council.

**Note 11 – Subsequent Events**

The Village is in the process of a new water line replacement and water system upgrade project, which is estimated to cost in excess of \$2 million. This project is funded by the OWDA and the USDA through loans and grants. The Village expended \$1,646,669 in federal funds for this project in the year ended December 31, 2016. Therefore, a Single Audit was required for the Village for the year ended December 31, 2016. As part of this project the USDA issued bonds on behalf of the Village recorded by the USDA as Loans 91-03 and 91-05 totaling \$431,000 in the year ended December 31, 2016. The remaining funding from the USDA for this project will be in the form of grants. No further debt is expected to be incurred by the Village for this project.





# Dave Yost • Auditor of State

## 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  
P.O. Box 152  
Holloway, Ohio 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 cash balances, receipts, and disbursements by fund type of the Village of Holloway, Belmont County, (the Village) as of and for the year ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated December 11, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-001 and 2015-002 to be material weaknesses.

***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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2015-001 and 2015-003.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 11, 2017

**VILLAGE OF HOLLOWAY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2015-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(D) states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. All revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose shall be paid into the general fund. Further, Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes of which such fund is established.

Receipts and expenditures were not always posted to the correct fund based upon the source of the receipt and the nature of the expenditure.

During 2015, the following adjustments were noted:

- MVL Fees totaling \$2,173 were improperly posted entirely to the Street Fund (2011), rather than being allocated between the Street Fund (2011) and State Highway Fund (2021) in the amounts of \$2,010 and \$163, respectively.
- First and second half real estate homestead and rollback receipt totaling \$2,833 and \$2,968, respectively, were improperly posted all to the General Fund, rather than being allocated as follows: General Fund (1000) \$1,253; Police Levy Fund (2901) \$1,055; Fire & EMS Equipment Levy Fund (2902) \$440; Fire Levy Fund (2903) \$289; Street Light Levy Fund (2904) \$1,546 and Fire Department Levy - 1999 Fund (2905) \$1,218.
- Ohio Water Development Authority debt proceeds in the General Fund (1000) in the amount of \$1,670 and Other Capital Projects Fund (4901) in the amount of \$34,088 relating to the Village's current water line replacement project, were improperly posted to Other Financing Sources and Special Assessments, respectively, rather than to Other Debt Proceeds in the Enterprise Improvement Fund (5701).
- An Ohio Water Development Authority debt payment relating to the Village's current water line replacement project in the amount of \$1,688, was improperly posted to Other Financing Uses in the General Fund, rather than Debt Service - Principal in the Water Operating Fund (5101).
- Expenditures relating to the Village's current water line replacement project, which totaled \$34,360, were improperly posted to Other Financing Uses in the Other Capital Projects Fund (4901), rather than to Capital Outlay in the Enterprise Improvement Fund (5701).

These adjustments, to which Village management agrees, have been posted to the Village's accounting records and are reflected in the accompanying financial statements.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Village's financial position and operations.

The Village should be diligent in assuring all monies received and expended are properly posted to the correct fund.

VILLAGE OF HOLLOWAY  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015  
(CONTINUED)

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

FINDING NUMBER 2015-002

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Village Handbook provides suggested account classifications. These accounts classify receipts by fund and source and classify disbursements by fund, program and object. Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare accurate annual reports in the format required by the Auditor of State.

The Village did not always accurately classify disbursements and fund balance in 2015 as noted below:

- A franchise fee in the amount of \$2,481 was improperly posted to Other Financing Sources in the General Fund, rather than Fines, Licenses and Permits.
- A portion of an expenditure in the amount of \$3,634 was improperly paid from Other Financing Uses in the General Fund, rather than General Government.
- The interest portion of a United States Department of Agriculture (USDA) debt payment relating to the Village's water line replacement project, totaling \$4,301, was improperly posted to Debt Service - Principal in the Enterprise Debt Service Fund (5721), rather than Debt Service – Interest.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead reporting the excess as assigned, in the amount of \$15,735.

These reclassifications, to which Village management agrees, are reflected in the accompanying financial statements.

In addition to the reclassifications listed above, we also identified an additional misstatements ranging from \$416 to \$753 that we have brought to the Village's attention.

The Fiscal Officer should utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions and fund balance. This guidance will aid the Fiscal Officer in properly classifying receipts and expenditures based on the source of the receipt and purpose of the expenditure.

VILLAGE OF HOLLOWAY  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015  
(CONTINUED)

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

FINDING NUMBER 2015-003

**Noncompliance**

Ohio Rev. Code § 5705.40 states, in part, 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 and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

The Village Council did not always approve amended or supplemental appropriations in the Village Council minutes during 2015. We noted \$33,504 in appropriation amendments posted to the Village's accounting system, which were not approved by Council. In addition, amended appropriations were not always filed with the County Auditor.

The Village Council should approve any appropriation amendments. These approvals should be documented in the Village minutes and all appropriation increases or decreases should be filed with the County Auditor.

**Officials' Response:** We did not receive a response from Officials' to the Findings reported above.

# VILLAGE OF HOLLOWAY

P.O. Box 52  
Holloway, Ohio 43985

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2015

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Improper classification of receipts and expenditures	Not corrected	The Village has not adopted a procedure to ensure the proper classification of receipts and expenditures.
2014-002	Ohio Rev. Code § 5705.41(D)(1) – Improper Certification	Not corrected	The Village has not adopted a procedure to ensure the proper prior certification of obligations.



# 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  
DECEMBER 26, 2017