



**VILLAGE OF HOLLAND
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020-2019

VILLAGE OF HOLLAND
LUCAS COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Holland
Lucas County
1245 Clarion Avenue
Holland, Ohio 43528-8394

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Holland, Lucas County, Ohio (the Village).

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 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 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 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 (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 Section 117.38 and Ohio Administrative Code Section 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, 2020 and 2019, and the respective changes in financial position 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 cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village, 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 2.

Emphasis of Matters

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

As discussed in Note 15 to the financial statements, during 2020, the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

October 12, 2021

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Village of Holland
Lucas County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$46,200			\$46,200
Municipal Income Tax	3,105,754		\$548,074	3,653,828
Intergovernmental	472,859	\$219,795	1,948	694,602
Special Assessments	5,273			5,273
Charges for Services	61,073			61,073
Fines, Licenses and Permits	30,926			30,926
Earnings on Investments	249,386	21,883	69,351	340,620
Miscellaneous	168,938	1,967	20,459	191,364
<i>Total Cash Receipts</i>	<u>4,140,409</u>	<u>243,645</u>	<u>639,832</u>	<u>5,023,886</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,275,332	350		1,275,682
Public Health Services	11,984	97,207		109,191
Leisure Time Activities	76,811			76,811
Community Environment	93,963			93,963
Basic Utility Services	95,623			95,623
Transportation		408,163	177,591	585,754
General Government	476,055		36,943	512,998
Capital Outlay	103,427	48,700	89,638	241,765
<i>Total Cash Disbursements</i>	<u>2,133,195</u>	<u>554,420</u>	<u>304,172</u>	<u>2,991,787</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,007,214</u>	<u>(310,775)</u>	<u>335,660</u>	<u>2,032,099</u>
Other Financing Receipts (Disbursements)				
Transfers In		423,170		423,170
Transfers Out	(423,170)			(423,170)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(423,170)</u>	<u>423,170</u>		
<i>Net Change in Fund Cash Balances</i>	1,584,044	112,395	335,660	2,032,099
<i>Fund Cash Balances, January 1</i>	<u>17,080,347</u>	<u>1,380,346</u>	<u>4,767,076</u>	<u>23,227,769</u>
<i>Fund Cash Balances, December 31</i>	<u>\$18,664,391</u>	<u>\$1,492,741</u>	<u>\$5,102,736</u>	<u>\$25,259,868</u>

See accompanying notes to the basic financial statements

Village of Holland
Lucas County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2020

	Fiduciary Fund Type
	Other Custodial
Additions	
Property and Other Local Taxes Collected for Distribution	\$2,342,515
Other Amounts Collected for Distribution	111,044
	2,453,559
 Deductions	
Distributions as Fiscal Agent	1,515,008
Other Distributions	664,765
	2,179,773
 <i>Net Change in Fund Balances</i>	 273,786
 <i>Fund Cash Balances, January 1</i>	 409,472
 <i>Fund Cash Balances, December 31</i>	 \$683,258
	\$683,258

See accompanying notes to the basic financial statements

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 – Reporting Entity

The Village of Holland (the Village), Lucas County, Ohio 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 park operations, street maintenance, police and contracted fire and EMS services. The Village contracts with the Springfield Township to receive fire and EMS services.

Joint Ventures and Public Entity Risk Pool

The Village participates in joint ventures and public entity risk pools. Notes 6, 11 and Note 13 to the financial statements provide 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 additions, deductions and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are all 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 Fund:

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.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Capital Projects This fund receives a portion of income tax revenue to fund major capital projects (e.g., major road constructions, maintenance, and repair), purchases, or cash transfers to other capital project funds.

State Issue 2 Fund This fund receives transfers from the Capital Projects Fund and Ohio Public Works Commission grant funds for approved major road reconstruction projects.

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Fiduciary Funds Fiduciary funds include custodial funds and are used to hold resources for individuals, organizations or other governments. Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial funds account for the Holland – Springfield Township Joint Economic Development Zone (JEDZ) and the Dorr Street Joint Economic Development District (JEDD) income tax receipts and contractual disbursements.

Basis of Accounting

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. 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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 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 carried over and need not be reappropriated.

A summary of 2020 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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 HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

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.

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:

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

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.

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

Fund Type	2020 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$4,194,955	\$4,140,409	(\$54,546)
Special Revenue	616,861	666,815	49,954
Capital Projects	1,113,456	639,832	(473,624)
Total	\$5,925,272	\$5,447,056	(\$478,216)

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,249,942	\$2,600,110	\$649,832
Special Revenue	764,223	656,406	107,817
Capital Projects	914,027	386,377	527,650
Total	\$4,928,192	\$3,642,893	\$1,285,299

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2020
Demand deposits	\$6,971,878
Certificates of deposit	12,173,443
Total deposits	19,145,321
STAR Ohio	6,797,805
Total deposits and investments	\$25,943,126

The Village has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statement reflect gross payroll. The balance in the Village's payroll clearing account represent unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation. Deposits are also collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

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

Income Taxes

The Village levies a municipal income tax of 2.25 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village through RITA either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>(13,530,267)</u>
Members' Equity	<u>\$ 5,296,707</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding on December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$1,715,875	0%

The OPWC loans obtained in 2019, were in conjunction with grant applications awarded for the McCord Road underpass project and are to be repaid over a 20-year period without interest. The Village has a contractual agreement with the Lucas County Commissioners for the full reimbursement of the loan payments to be paid to the Village annually until paid in full. No Village of Holland funds are obligated towards this debt.

Amortization of the above debt, is schedules as follows:

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Year Ending December 31:	OPWC
2021	\$92,750
2022	92,750
2023	92,750
2024	92,750
2025	92,750
2026-2040	<u>1,252,125</u>
Total	<u>\$1,715,875</u>

Note 10 – Contingent Liabilities

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

Note 11 – Joint Ventures

Joint Economic Development Zone

The Village of Holland entered into a joint economic development zone (JEDZ) agreement with Springfield Township in 2014. This JEDZ is located entirely within Springfield Township. In 2014 the voters of Springfield Township approved a ballot issue that authorized the JEDZ and a government board was created. In early 2015 the JEDZ Board enacted a 1.5% income tax on the zone and collection began 7/1/2015.

The JEDZ is governed by a Board of Directors consisting of six (6) members. The Board consists of three (3) members appointed by the Village and three (3) members appointed by the Township. The main source of income is a tax levied upon the income earned by persons working within the JEDZ boundaries and the net profits of businesses located within the zone.

Joint Economic Development District

The Village of Holland entered into a joint economic development district (JEDD) agreement with Springfield Township in 2019. This JEDD is located entirely within Springfield Township. In December 2019, the JEDD Board enacted a 2% income tax on the district and collection began 1/1/2020.

The JEDD is governed by a Board of Directors consisting of five (5) members. The Board consists of one (1) member representing the Village, one (1) member representing the Township, one (1) member representing the owners of business operating within the District, one (1) member representing persons employed in the District, and one (1) member selected by the other members. The main source of income is a tax levied upon the income earned by persons working within the JEDD boundaries and the net profits of businesses located within the District.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

VILLAGE OF HOLLAND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

During 2020, the Village received CARES Act funding. These amounts are reflected as public health services expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Note 13 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 14 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these encumbrances were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Outstanding Encumbrances	\$43,745	\$101,986	\$82,205	\$227,936

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund is restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 15 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting beginning Fund Cash Balances of \$409,472. Also related to the implementation of GASB Statement No. 84, the Village will no longer be reporting agency funds. At December 31, 2019, agency funds reported fund cash balance of \$409,472.

Note 16 – Miscellaneous Revenue

General and Capital Project Funds miscellaneous revenue is primarily comprised of reimbursement of Township millage, RITA retainer and Ohio BWC refunds.

Village of Holland
Lucas County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$46,628			\$46,628
Municipal Income Tax	3,291,342		\$580,825	3,872,167
Intergovernmental	1,155,273	\$102,075	364,729	1,622,077
Special Assessments	5,269			5,269
Charges for Services	128,376	1,970		130,346
Fines, Licenses and Permits	37,373			37,373
Earnings on Investments	313,586	28,196	92,103	433,885
Miscellaneous	134,541	11,510	14,537	160,588
<i>Total Cash Receipts</i>	<u>5,112,388</u>	<u>143,751</u>	<u>1,052,194</u>	<u>6,308,333</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,217,076	2,065		1,219,141
Public Health Services	11,984			11,984
Leisure Time Activities	76,457			76,457
Community Environment	92,387			92,387
Basic Utility Services	90,834			90,834
Transportation		491,547	2,684,012	3,175,559
General Government	521,406		37,886	559,292
Capital Outlay	134,004		109,075	243,079
<i>Total Cash Disbursements</i>	<u>2,144,148</u>	<u>493,612</u>	<u>2,830,973</u>	<u>5,468,733</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,968,240</u>	<u>(349,861)</u>	<u>(1,778,779)</u>	<u>839,600</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			1,855,000	1,855,000
Transfers In		537,360		537,360
Transfers Out	(537,360)			(537,360)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(537,360)</u>	<u>537,360</u>	<u>1,855,000</u>	<u>1,855,000</u>
<i>Net Change in Fund Cash Balances</i>	2,430,880	187,499	76,221	2,694,600
<i>Fund Cash Balances, January 1</i>	<u>14,649,467</u>	<u>1,192,847</u>	<u>4,690,855</u>	<u>20,533,169</u>
Fund Cash Balances, December 31				
Restricted		1,243,221		1,243,221
Committed		137,125		137,125
Assigned	60,886		4,767,076	4,827,962
Unassigned	17,019,461			17,019,461
<i>Fund Cash Balances, December 31</i>	<u>\$17,080,347</u>	<u>\$1,380,346</u>	<u>\$4,767,076</u>	<u>\$23,227,769</u>

See accompanying notes to the basic financial statements

Village of Holland
Lucas County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Agency Fund
For the Year Ended December 31, 2019

	Agency
Operating Cash Disbursements	
Contractual Services	\$2,828,446
Claims	62,082
<i>Operating Loss</i>	<i>(2,890,528)</i>
Non-Operating Receipts	
Property and Other Local Taxes	2,741,572
Earnings on Investments	10,050
Miscellaneous Receipts	94,920
<i>Total Non-Operating Receipts</i>	<i>2,846,542</i>
<i>Net Change in Fund Cash Balance</i>	<i>(43,986)</i>
<i>Fund Cash Balance, January 1</i>	<i>453,458</i>
<i>Fund Cash Balance, December 31</i>	<i>\$409,472</i>

See accompanying notes to the basic financial statements

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Holland, Lucas County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides park operations, street maintenance, police and contracted fire and EMS services. The Village appropriates general fund money to support a contract with Springfield Township for fire and EMS services.

Joint Ventures and Public Entity Risk Pool

The Village participates in joint ventures and a public entity risk pool. Notes 10 and Note 11 to the financial statements provide 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 statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the Agency fund, which are organized on a fund type basis.

Basis of Accounting

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. The Village 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.

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. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provide an NAV per share that approximates fair value.

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:

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

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 Fund:

Street Construction, Maintenance and Repair Fund 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.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Capital Projects Fund This fund receives a portion of income tax revenue to fund major capital projects (e.g., major road constructions, maintenance, and repair), purchases, or cash transfers to other capital project funds.

State Issue 2 Fund This fund receives transfers from the Capital Projects Fund and Ohio Public Works Commission grant funds for approved major road reconstruction projects.

Fiduciary Funds Fiduciary Funds include Private Purpose Trust Funds and Agency Funds. Trust Funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for the Holland – Springfield Township Joint Economic Development Zone (JEDZ) and the Dorr Street Joint Economic Development District (JEDD) income tax receipts and contractual disbursements.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 4.

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

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:

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

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.

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

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.

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.

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.

Note 3 – 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:

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>2019</u>
Demand deposits	\$4,020,857
Certificates of deposit	11,337,565
Total deposits	<u>15,358,422</u>
STAR Ohio	8,278,819
Total deposits and investments	<u><u>\$23,637,241</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation. Deposits are also collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

NOTE 4. Budgetary Activity

Budgetary activity for the year ending 2019 follows:

<u>2019 Budgeted vs. Actual Receipts</u>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,067,041	\$5,112,388	\$1,045,347
Special Revenue	625,617	681,111	55,494
Capital Projects	2,970,980	2,907,194	(63,786)
Total	<u>\$7,663,638</u>	<u>\$8,700,693</u>	<u>\$1,037,055</u>

<u>2019 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,321,125	\$2,732,394	\$588,731
Special Revenue	717,605	630,737	86,868
Capital Projects	3,130,913	2,954,385	176,528
Total	<u>\$7,169,643</u>	<u>\$6,317,516</u>	<u>\$852,127</u>

Note 5 – 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.

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

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

Note 6 – Local Income Tax

The Village levies a municipal income tax of 2.25 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village through RITA either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$1,855,000	0%

The OPWC loans obtained in 2019, were in conjunction with grant applications awarded for the McCord Road underpass project and are to be repaid over a 20-year period without interest. The Village has a contractual agreement with the Lucas County Commissioners for the full reimbursement of the loan payments to be paid to the Village annually until paid in full. No Village of Holland funds are obligated towards this debt.

Amortization of the above debt, is schedules as follows:

<u>Year Ending December 31:</u>	<u>OPWC</u>
2020	\$92,750
2021	92,750
2022	92,750
2023	92,750
2024	92,750
2025-2040	1,391,250
Total	<u>\$1,855,000</u>

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Joint Ventures

Joint Economic Development Zone

The Village of Holland entered into a joint economic development zone (JEDZ) agreement with Springfield Township in 2014. This JEDZ is located entirely within Springfield Township. In 2014 the voters of Springfield Township approved a ballot issue that authorized the JEDZ and a government board was created. In early 2015 the JEDZ Board enacted a 1.5% income tax on the zone and collection began 7/1/2015. In June, 2015 a lawsuit was filed challenging the validity of this JEDZ. Summary judgement by the Lucas County Common Pleas Court were granted in part and denied in part.

The JEDZ is governed by a Board of Directors consisting of six (6) members. The Board consists of three (3) members appointed by the Village and three (3) members appointed by the Township. The main source of income is a tax levied upon the income earned by persons working within the JEDZ boundaries and the net profits of businesses located within the zone.

Joint Economic Development District

The Village of Holland entered into a joint economic development district (JEDD) agreement with Springfield Township in 2019. This JEDD is located entirely within Springfield Township. In December 2019, the JEDD Board enacted a 2% income tax on the district and collection began 1/1/2020.

The JEDD is governed by a Board of Directors consisting of five (5) members. The Board consists of one (1) member representing the Village, one (1) member representing the Township, one (1) member representing the owners of business operating within the District, one (1) member representing persons employed in the District, and one (1) member selected by the other members. The main source of income is a tax levied upon the income earned by persons working within the JEDD boundaries and the net profits of businesses located within the District.

VILLAGE OF HOLLAND
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 11 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	(11,329,011)
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Workers' Compensation

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.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Miscellaneous Revenue

General, Special Revenue and Capital Project Funds miscellaneous revenue is primarily comprised of reimbursement of Township millage, RITA retainer and Ohio BWC refunds.

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Holland
Lucas County
1245 Clarion Avenue
Holland, Ohio 43528-8394

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 for each governmental fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Holland, Lucas County, Ohio (the Village) and have issued our report thereon dated October 12, 2021, 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village. In addition, we noted the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 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 financial statements. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 12, 2021

**VILLAGE OF HOLLAND
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following errors requiring adjustments to the financial statements and/or notes to the financial statements for December 31, 2020 and 2019:

- In 2020, Capital Projects Fund income tax receipts in the amount of \$548,074 were incorrectly classified as property tax revenue;
- In 2019, Budgetary Expenditures in the Budgetary Activity note to the financial statements were understated in the Special Revenue Fund in the amount of \$137,125;
- In 2019, Capital Projects Fund debt proceed receipts in the amount of \$1,855,000 were incorrectly classified as intergovernmental revenue;

These errors were not identified and corrected prior to the Village preparing its financial statements and notes to the financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. Failing to prepare accurate financial statements could lead the Members of Council to make misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the Mayor, Fiscal Officer and Members of Council to help identify and correct errors and omissions.

Officials' Response:

Regarding the first bullet point, I do acknowledge that this statement is true and was discussed with the State Auditor during their visit. The reason was due to the fact that this number was simply placed one line too high on a large spreadsheet and was mistakenly placed on the "property taxes" line instead of the "income taxes" line directly below. This was a simple visual error and had no effect on actual Village revenues. The only "error" was a classification of the revenue tax type on the State Report. The receipts were correctly listed on the Village's actual records.

Regarding the third bullet point, I object to this finding. All OPWC proceeds were posted to the Village's records and the classification term of "intergovernmental" is only applicable to the State Report. The \$1,855,000 was a memorandum entry upon the Village's books for an OPWC project that included a loan. The Village never actually received or paid this money. It was paid directly from OPWC to a contractor doing work on the Lucas County McCord Road project. When the transaction was paid by OPWC, the Village, as the grant participant, was required to make a memorandum entry onto the books to account for these funds. Since the funds were paid by the State for a Lucas County project, they were listed in the Village books the same as all OPWC funds. The Village does list this loan as debt on the Notes to the Financial Statements. However, it is not listed as Debt on the State Report worksheets. Debt proceeds in the State Report worksheets include only the sale of bonds, notes and capital leases. The Village financial records were in compliance as reported since the definition of sale of bonds, notes or capital leases were not applicable.

I understand that most of the comments in the Findings section of the Audit report are probably considered boilerplate language. However, stating that the "errors were not identified and corrected prior to the Village preparing its financial statements and notes to the financial statements due to deficiencies in the Village's internal controls" can be misleading. All of the so-called "errors" listed above are items that are only found on the State Report in classification terms so they therefore could not be "corrected prior to" its preparation. The Village Council, Mayor and the Clerk-Treasurer do not rely on the State Report classification of funds terms to make financial decisions. Financial decisions are based upon actual, current data on an ongoing basis. The State Report is based on prior year data and is a once a year snapshot as of December 31 annually.

The Village Mayor, Council, Budget & Finance Committee and the Clerk-Treasurer strive to work well together to preserve the financial well-being of the Village for its residents. Not one cent of Village funds is unaccounted for, and the Village has not had an audit finding since prior to 1995.

Auditor of State Conclusion:

The Village's financial statements are presented using the Auditor of State (AOS) Regulatory framework, which is prescribed by the AOS. In accordance with guidance provided by the AOS via The Village Officer's Handbook, amounts received from the Ohio Public Works Commission (OPWC) as loans should be presented as loan proceeds under Other Financing Sources on the face of the financial statements. The \$1,855,000 paid to vendors on behalf of the Village was for a loan that is in the name of the Village and the amount of the loan should be reported as "proceeds" on the face of the financial statements.

The Auditor of State is required to audit and issue an opinion on whether the Village's financial statements are fairly presented. Audit adjustments are proposed and agreed upon by the Village to help ensure the proper audit opinion is issued for the financial statements. It is the responsibility of Village officials to review the annual financial report prior to submission to the Auditor of State to ensure items are properly classified in accordance with the reporting framework and related guidance that has been made available to the Village. Misclassifications on financial statements presented to the public can be misleading to those users and therefore require correction prior to issuance of the audited financial statements.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF HOLLAND

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/4/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov