



**VILLAGE OF HOLLAND
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022-2021

VILLAGE OF HOLLAND
LUCAS COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|---|------|
| Independent Auditor's Report | 1 |
| Prepared by Management: | |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2022..... | 5 |
| Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) All Fiduciary Fund Types For the Year Ended December 31, 2022..... | 6 |
| Notes to the Financial Statements For the Year Ended December 31, 2022 | 7 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2021..... | 16 |
| Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) All Fiduciary Fund Types For the Year Ended December 31, 2021..... | 17 |
| Notes to the Financial Statements For the Year Ended December 31, 2021 | 18 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 27 |
| Schedule of Findings..... | 29 |
| Summary Schedule of Prior Audit Findings (prepared by management) | 30 |

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Holland, Lucas County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying 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 years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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

August 22, 2023

This page intentionally left blank.

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, 2022

| | General | Special Revenue | Capital Projects | Combined Total |
|---|---------------------|--------------------|---------------------|---------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$50,571 | | | \$50,571 |
| Municipal Income Tax | 4,021,478 | | \$446,831 | 4,468,309 |
| Intergovernmental | 496,270 | \$221,046 | 184,605 | 901,921 |
| Special Assessments | 5,422 | 2,472 | | 7,894 |
| Charges for Services | 122,058 | | | 122,058 |
| Fines, Licenses and Permits | 33,277 | | | 33,277 |
| Earnings on Investments | 146,985 | 11,568 | 36,262 | 194,815 |
| Miscellaneous | 140,901 | 2,723 | 5,558 | 149,182 |
| <i>Total Cash Receipts</i> | <u>5,016,962</u> | <u>237,809</u> | <u>673,256</u> | <u>5,928,027</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 1,288,214 | 2,049 | | 1,290,263 |
| Public Health Services | 12,703 | 47,334 | | 60,037 |
| Leisure Time Activities | 57,465 | | | 57,465 |
| Community Environment | 96,524 | | | 96,524 |
| Basic Utility Services | 100,151 | | | 100,151 |
| Transportation | | 425,049 | 22,315 | 447,364 |
| General Government | 529,404 | | 19,691 | 549,095 |
| Capital Outlay | 100,443 | 5,970 | 178,934 | 285,347 |
| Debt Service: | | | | |
| Principal Retirement | | | 92,750 | 92,750 |
| <i>Total Cash Disbursements</i> | <u>2,184,904</u> | <u>480,402</u> | <u>313,690</u> | <u>2,978,996</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>2,832,058</u> | <u>(242,593)</u> | <u>359,566</u> | <u>2,949,031</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | 390,000 | | 390,000 |
| Transfers Out | (390,000) | | | (390,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(390,000)</u> | <u>390,000</u> | | |
| <i>Net Change in Fund Cash Balances</i> | 2,442,058 | 147,407 | 359,566 | 2,949,031 |
| <i>Fund Cash Balances, January 1</i> | <u>20,233,069</u> | <u>1,625,440</u> | <u>5,159,724</u> | <u>27,018,233</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$22,675,127</u> | <u>\$1,772,847</u> | <u>\$5,519,290</u> | <u>\$29,967,264</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, 2022

| | Fiduciary Fund Type |
|---|------------------------|
| | Other Custodial |
| Additions | |
| Property and Other Local Taxes Collected for Distribution | \$2,406,110 |
| Other Amounts Collected for Distribution | 108,709 |
| <i>Total Additions</i> | 2,514,819 |
| Deductions | |
| Distributions as Fiscal Agent | 2,548,033 |
| Other Distributions | 54,549 |
| Total Deductions | 2,602,582 |
| <i>Net Change in Fund Balances</i> | (87,763) |
| <i>Fund Cash Balances, January 1</i> | 584,259 |
| <i>Fund Cash Balances, December 31</i> | \$496,496 |

See accompanying notes to the basic financial statements

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

Jointly Governed Organizations and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 6 and 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 combined statement of additions, deductions and changes in fund balances (regulatory cash basis) 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:

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

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 accounts 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 (C). 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 (C) 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 2022 budgetary activity appears in Note 3.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 13.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

| 2022 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$3,729,075 | \$5,016,962 | \$1,287,887 |
| Special Revenue | 575,803 | 627,809 | 52,006 |
| Capital Projects | 825,850 | 673,256 | (152,594) |
| Total | \$5,130,728 | \$6,318,027 | \$1,187,299 |

| 2022 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$3,699,296 | \$2,737,839 | \$961,457 |
| Special Revenue | 605,748 | 489,627 | 116,121 |
| Capital Projects | 550,159 | 314,029 | 236,130 |
| Total | \$4,855,203 | \$3,541,495 | \$1,313,708 |

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:

| | |
|--------------------------------|----------------------|
| Demand deposits | 2022 \$15,272,252 |
| Certificates of deposit | 10,680,026 |
| Total deposits | 25,952,278 |
| STAR Ohio | 4,511,482 |
| Total deposits and investments | \$30,463,760 |

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 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.

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.

The Regional Income Tax Agency administers and collects income taxes for the Village. Payments are remitted monthly net of collection fees of approximately 2.9 percent.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021 (latest available information).

| | |
|-----------------|----------------------|
| Assets | \$ 21,777,439 |
| Liabilities | <u>(15,037,383)</u> |
| Members' Equity | <u>\$ 6,740,056</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 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, 2022.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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, 2022.

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 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022. 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 at December 31, 2022, was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|------------------|----------------------|
| Ohio Public Works Commission (OPWC) Loans | \$1,530,375 | 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.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Amortization

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

| Year Ending December 31: | OPWC |
|-----------------------------|--------------------|
| 2023 | \$92,750 |
| 2024 | 92,750 |
| 2025 | 92,750 |
| 2026 | 92,750 |
| 2027 | 92,750 |
| 2028-2032 | 463,750 |
| 2033-2037 | 463,750 |
| 2038-2039 | 139,125 |
| Total | <u>\$1,530,375</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 – Jointly Governed Organizations

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 July 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 January 1, 2020.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

Regional Income Tax Agency (RITA)

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2022, the Village paid RITA \$67,637 for income tax collection services.

Note 12 – 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 amounts were as follows:

| Fund Balances | General | Special Revenue | Capital Projects | Total |
|--------------------------|-----------|--------------------|---------------------|-----------|
| Outstanding Encumbrances | \$162,935 | \$9,225 | \$339 | \$172,499 |

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund are 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.

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, 2021

| | General | Special Revenue | Capital Projects | Combined Total |
|---|---------------------|--------------------|---------------------|---------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$46,085 | | | \$46,085 |
| Municipal Income Tax | 3,170,333 | | \$559,471 | 3,729,804 |
| Intergovernmental | 487,038 | \$219,862 | 692,434 | 1,399,334 |
| Special Assessments | 4,972 | 760 | | 5,732 |
| Charges for Services | 74,081 | | | 74,081 |
| Fines, Licenses and Permits | 43,679 | | | 43,679 |
| Earnings on Investments | 120,393 | 10,153 | 32,425 | 162,971 |
| Miscellaneous | 122,324 | 8,759 | 14,448 | 145,531 |
| <i>Total Cash Receipts</i> | <u>4,068,905</u> | <u>239,534</u> | <u>1,298,778</u> | <u>5,607,217</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 1,278,564 | 2,539 | | 1,281,103 |
| Public Health Services | 11,984 | 1,492 | | 13,476 |
| Leisure Time Activities | 56,126 | | | 56,126 |
| Community Environment | 98,453 | | | 98,453 |
| Basic Utility Services | 93,790 | | | 93,790 |
| Transportation | | 402,160 | 131,388 | 533,548 |
| General Government | 493,579 | | 31,964 | 525,543 |
| Capital Outlay | 137,731 | 30,644 | 985,688 | 1,154,063 |
| Debt Service: | | | | |
| Principal Retirement | | | 92,750 | 92,750 |
| <i>Total Cash Disbursements</i> | <u>2,170,227</u> | <u>436,835</u> | <u>1,241,790</u> | <u>3,848,852</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,898,678</u> | <u>(197,301)</u> | <u>56,988</u> | <u>1,758,365</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | 330,000 | | 330,000 |
| Transfers Out | (330,000) | | | (330,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(330,000)</u> | <u>330,000</u> | | |
| <i>Net Change in Fund Cash Balances</i> | 1,568,678 | 132,699 | 56,988 | 1,758,365 |
| <i>Fund Cash Balances, January 1</i> | <u>18,664,391</u> | <u>1,492,741</u> | <u>5,102,736</u> | <u>25,259,868</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$20,233,069</u> | <u>\$1,625,440</u> | <u>\$5,159,724</u> | <u>\$27,018,233</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, 2021

| | Fiduciary Fund Type |
|---|------------------------|
| | Other Custodial |
| Additions | |
| Property and Other Local Taxes Collected for Distribution | \$2,681,911 |
| Other Amounts Collected for Distribution | 68,079 |
| <i>Total Additions</i> | 2,749,990 |
| Deductions | |
| Distributions as Fiscal Agent | 2,805,335 |
| Other Distributions | 43,654 |
| Total Deductions | 2,848,989 |
| <i>Net Change in Fund Balances</i> | (98,999) |
| <i>Fund Cash Balances, January 1</i> | 683,258 |
| <i>Fund Cash Balances, December 31</i> | \$584,259 |

See accompanying notes to the basic financial statements

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

Jointly Governed Organizations and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 6 and 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 combined statement of additions, deductions and changes in fund balances (regulatory cash basis) 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:

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

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 accounts 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 (C). 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 (C) 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 2021 budgetary activity appears in Note 3.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 13.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

| 2021 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$3,794,650 | \$4,068,905 | \$274,255 |
| Special Revenue | 516,409 | 569,534 | 53,125 |
| Capital Projects | 1,254,355 | 1,298,778 | 44,423 |
| Total | \$5,565,414 | \$5,937,217 | \$371,803 |

| 2021 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$3,363,556 | \$2,578,438 | \$785,118 |
| Special Revenue | 752,013 | 437,633 | 314,380 |
| Capital Projects | 1,907,266 | 1,244,509 | 662,757 |
| Total | \$6,022,835 | \$4,260,580 | \$1,762,255 |

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:

| | |
|--------------------------------|----------------------|
| Demand deposits | 2021 \$13,423,266 |
| Certificates of deposit | 10,462,554 |
| Total deposits | 23,885,820 |
| STAR Ohio | 3,716,672 |
| Total deposits and investments | \$27,602,492 |

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 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.

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.

The Regional Income Tax Agency administers and collects income taxes for the Village. Payments are remitted monthly net of collection fees of approximately 2.9 percent.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

| | |
|-----------------|----------------------|
| Assets | \$ 21,777,439 |
| Liabilities | <u>(15,037,383)</u> |
| Members' Equity | <u>\$ 6,740,056</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 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, 2021.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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, 2021.

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 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. 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 at December 31, 2021, was as follows:

| | Principal | Interest Rate |
|---|-------------|---------------|
| Ohio Public Works Commission (OPWC) Loans | \$1,623,125 | 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.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Amortization

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

| Year Ending December 31: | OPWC |
|-----------------------------|--------------------|
| 2022 | \$92,750 |
| 2023 | 92,750 |
| 2024 | 92,750 |
| 2025 | 92,750 |
| 2026 | 92,750 |
| 2027-2031 | 463,750 |
| 2032-2036 | 463,750 |
| 2037-2039 | 231,875 |
| Total | <u>\$1,623,125</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 – Jointly Governed Organizations

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 July 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 January 1, 2020.

Village of Holland
Lucas County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

Regional Income Tax Agency (RITA)

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2021, the Village paid RITA \$57,448 for income tax collection services.

Note 12 – 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 amounts were as follows:

| Fund Balances | General | Special Revenue | Capital Projects | Total |
|--------------------------|----------|--------------------|---------------------|----------|
| Outstanding Encumbrances | \$78,211 | \$798 | \$2,719 | \$81,728 |

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.



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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 years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Holland, Lucas County, Ohio (the Village) and have issued our report thereon dated August 22, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 22, 2023

**VILLAGE OF HOLLAND
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

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

FINDING NUMBER 2022-001

Significant Deficiency - 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.

In 2021, intergovernmental receipts in the amount of \$139,125 were incorrectly classified as miscellaneous revenue in the Capital Projects Fund.

This error was 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 have been adjusted to reflect this error.

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, Clerk-Treasurer and Members of Council to help identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to this finding.



VILLAGE OF HOLLAND
1245 Clarion Ave., Holland, OH 43528
Phone: 419-865-7104 Fax: 419-866-4795

CLERK-TREASURER
Lyn Krasula
E-Mail: clerk@hollandohio.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2022 AND 2021

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|--|---|
| 2020-001 | Material weakness due to errors in financial reporting. | Not corrected and reissued as Finding 2022-001 in this report. | This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements prior to filing the Village's annual report. The Village is implementing procedures to correct these errors for the future. |

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 9/12/2023

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