



Dave Yost • Auditor of State

VILLAGE OF HOLLOWAY
BELMONT COUNTY
DECEMBER 31, 2016

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Holloway, Belmont County, Ohio (the Village) as of and for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016, or 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 by fund type, and related notes of the Village of Holloway, Belmont County as of December 31, 2016, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2017

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Village of Holloway
Belmont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$6,298	\$25,019	\$31,317
Intergovernmental	33,329	18,342	51,671
Fines, Licenses and Permits	3,608	0	3,608
Earnings on Investments	1,598	0	1,598
Miscellaneous	772	0	772
<i>Total Cash Receipts</i>	<u>45,605</u>	<u>43,361</u>	<u>88,966</u>
Cash Disbursements			
Current:			
Security of Persons and Property	0	22,223	22,223
Basic Utility Services	3,924	0	3,924
Transportation	7,499	11,969	19,468
General Government	38,126	0	38,126
Capital Outlay	0	3,193	3,193
<i>Total Cash Disbursements</i>	<u>49,549</u>	<u>37,385</u>	<u>86,934</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,944)</u>	<u>5,976</u>	<u>2,032</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	792	0	792
Other Financing Uses	(850)	0	(850)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(58)</u>	<u>0</u>	<u>(58)</u>
<i>Net Change in Fund Cash Balances</i>	(4,002)	5,976	1,974
<i>Fund Cash Balances, January 1</i>	<u>28,948</u>	<u>56,410</u>	<u>85,358</u>
Fund Cash Balances, December 31			
Restricted	0	62,386	62,386
Assigned	3,416	0	3,416
Unassigned (Deficit)	21,530	0	21,530
<i>Fund Cash Balances, December 31</i>	<u>\$24,946</u>	<u>\$62,386</u>	<u>\$87,332</u>

See accompanying notes to the basic financial statements

Village of Holloway
Belmont County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016

	Enterprise
Operating Cash Receipts	
Charges for Services	\$75,791
<i>Total Operating Cash Receipts</i>	<i>75,791</i>
Operating Cash Disbursements	
Personal Services	26,958
Employee Fringe Benefits	1,709
Contractual Services	6,892
Supplies and Materials	7,239
Claims	1,854
Other	100
<i>Total Operating Cash Disbursements</i>	<i>44,752</i>
<i>Operating Income</i>	<i>31,039</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	1,215,669
Sale of Bonds	431,000
Other Debt Proceeds	5,274
Capital Outlay	(1,605,566)
Principal Retirement	(58,083)
Interest and Other Fiscal Charges	(3,903)
Other Financing Sources	62
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(15,547)</i>
<i>Net Change in Fund Cash Balances</i>	<i>15,492</i>
<i>Fund Cash Balances, January 1</i>	<i>49,099</i>
<i>Fund Cash Balances, December 31</i>	<i>\$64,591</i>

See accompanying notes to the basic financial statements

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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

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

The Village participates in the Public Entities Pool of Ohio (PEP), which is a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. The Village also participates in Bel-O-Mar Regional Council, which is a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. Notes 7 and 11 to the financial statements provides additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Fire and EMS Equipment Levy Fund The fire and EMS equipment levy fund receives tax levy proceeds for the purpose of acquiring fire and EMS equipment.

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

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

Note 3 - Compliance

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

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

Contrary to Ohio Rev. Code § 5705.41 (B), budgetary expenditures exceeded the appropriation authority in the Water Operating Fund by \$43,133 and the Enterprise Improvement Fund by \$886,688 for the year ended December 31, 2016.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 - Budgetary Activity (Continued)

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,315	\$46,397	\$82
Special Revenue	37,300	43,361	6,061
Debt Service	8,670	0	(8,670)
Enterprise	1,705,901	1,727,796	21,895
Total	\$1,798,186	\$1,817,554	\$19,368

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,050	\$50,399	\$11,651
Special Revenue	78,538	37,385	41,153
Enterprise	817,634	1,712,304	(894,670)
Total	\$958,222	\$1,800,088	(\$841,866)

Note 5 – 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:

	2016
Demand deposits	\$138,803
Certificates of deposit	13,120
Total deposits	151,923

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6– Taxes

Property Taxes

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

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

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<u>2016 Contributions to PEP</u> \$3,873

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management (Continued)

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

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

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
United States Department of Agriculture - Rural Development Loan 91-01	77,488	4.50%
United States Department of Agriculture - Rural Development Loans 91-03 & 91-05	431,000	1.625%
Total	<u><u>\$508,488</u></u>	

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt (Continued)

The Ohio Water Development Authority (OWDA) approved up to \$67,500 in loans to the Village for its current waterline replacement project, in which the Village drew down \$5,273 during 2016. The balance of the loan was paid off in August 2016, which totaled \$45,459, including capitalized interest.

The United States Department of Agriculture – Rural Development (USDA) loans relate to a Village water line replacement projects. The Village had an existing loan with the USDA for mortgage revenue bonds issued in 1997 in the amount of \$195,000 by the USDA for the Village. The Village is repaying the loan in semiannual installments of \$13,151, including interest, over 25 years. The Village also borrowed an additional \$431,000 from the USDA during 2016, which was also through the issuance of mortgage revenue bonds by the USDA. This USDA loan will be repaid in annual installments over 40 years, with annual interest-only payments becoming due in 2017 and 2018 and principal and interest payments starting in 2019. Water receipts collected from Village customers collateralize both loans. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

The debt covenant for both USDA loans require the Village to establish and fund a bond account from which annual principal and interest payments will be paid as they become due, a debt service reserve fund in which a fraction of a percentage of the bond amount will be set aside each month should the Village become unable to make its annual principal and interest payments, and a surplus account to which excess funds not needed for the operation of the Water Plant will be deposited. The balances in these funds at December 31, 2016 are \$4,494, \$25,302 and \$17,874, respectively.

The Village failed to deposit adequate funds into its bond account for the first interest-only payment due in 2017 on the new bond issuance during 2016.

Amortization

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

Year ending December 31:	USDA Loan 91- 01	USDA Loans 91- 03 & 91-05
2017	\$13,151	\$6,615
2018	13,151	7,004
2019	13,151	15,204
2020	13,151	15,371
2021-2025	39,453	76,447
2026-2030	0	76,536
2031-2035	0	76,413
2036-2040	0	76,452
2041-2045	0	76,429
2046-2050	0	76,406
2051-2055	0	76,560
2056-2060	0	15,244
Total	\$92,057	\$594,681

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Jointly Governed Organizations

The Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the Village of Holloway services as the Village's representative on the board. The Council is not dependent upon the Village of Holloway for its continued existence, no debt exists and the Village does not maintain an equity interest. During 2016, the Village made one payment of \$112 to Bel-O-Mar Regional Council.

Note 12 – Subsequent Events

The Village is nearing completion of a water line replacement and water system upgrade project, in which there is an outstanding construction contract balance of \$552,299 at December 31, 2016. This project is currently funded by the USDA through grants. The Village expenditures for the year ended December 31, 2017 may exceed \$750,000, which would require the Village to again have a Single Audit performed for 2017.

VILLAGE OF HOLLOWAY
BELMONT COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Program:</i>			
Water and Waste Program Cluster:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>\$1,646,669</u>
Total Water and Waste Program Cluster			<u>1,646,669</u>
Total U.S. Department of Agriculture			<u>1,646,669</u>
Total Expenditures of Federal Awards			<u>\$1,646,669</u>

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of Holloway (the Village) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position of the Village.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Holloway, Belmont County, (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated December 11, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider Findings 2016-001 through 2016-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2016-001, 2016-002 and 2016-004.

Entity's Response to Findings

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of Holloway's (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Village of Holloway's major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Holloway complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2017

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse under GAAP, unmodified under the regulatory basis
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Program (list): Water and Waste Disposal Systems for Rural Communities – CFDA #10.760	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2016-001

Noncompliance and Material Weakness

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

VILLAGE OF HOLLOWAY
BELMONT COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016
(Continued)

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

**FINDING NUMBER 2016-001
(Continued)**

Noncompliance and Material Weakness (Continued)

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

During 2016, the following adjustments were noted:

- Expenditures in the Other Capital Projects Fund (4901) relating to the Village's current water line replacement project, which totaled \$1,605,556, were improperly posted to Other Financing Uses, rather than to Capital Outlay in the Enterprise Improvement Fund (5701).
- An Ohio Water Development Authority (OWDA) payment relating to the Village's current water line replacement project, in which pay-off was \$45,459, was improperly posted to Other Financing Uses in the Other Capital Projects Fund (4901), rather than Debt Service - Principal in the Enterprise Improvement Fund (5701).
- OWDA and USDA debt proceeds in the Other Capital Projects Fund (4901) relating to the Village's current water line replacement project, which totaled \$436,274, were improperly posted to Special Assessments, rather than to Other Debt Proceeds and Sale of Bonds in the Enterprise Improvement Fund (5701) in the amounts of \$5,274 and \$431,000, respectively.
- USDA grant proceeds in the Other Capital Projects Fund (4901) relating to the Village's current water line replacement project, which totaled \$1,215,669, were improperly posted to Special Assessments, rather than to Intergovernmental in the Enterprise Improvement Fund (5701).
- Two Ohio Water Development Authority (OWDA) payments relating to the Village's water line replacement project, which totaled \$3,376, were improperly posted to Other Financing Uses and Supplies and Materials in the Water Emergency and Improvements Fund (5901), rather than Debt Service - Principal in the Water Operating Fund (5101).
- MVL Fees and Excess IRP receipts totaling \$2,227 were improperly posted entirely to the Street Fund (2011) as Taxes, rather than being allocated between the Street Fund (2011) and State Highway Fund (2021) as Intergovernmental in the amounts of \$2,060 and \$167, respectively.
- A gas tax receipt in the amount of \$689 was double posted to the Street Fund (2011) and the State Highway Fund (2021) in the amounts of \$637 and \$52, respectively.
- First and second half real estate homestead and rollback receipt totaling \$2,829 and \$2,794, respectively, were improperly posted entirely to the General Fund as Taxes, rather than being allocated to Intergovernmental as follows: General Fund (1000) \$1,257; Police Levy Fund (2901) \$1,030; Fire & EMS Equipment Levy Fund (2902) \$356; Fire Levy Fund (2903) \$282; Street Light Levy Fund (2904) \$1,509 and Fire Department Levy - 1999 Fund (2905) \$1,189.
- Earnings on investment income relating to the Village's certificates of deposit, which totaled \$777, was not properly accounted for on the Village's bank reconciliation at December 31, 2016.

VILLAGE OF HOLLOWAY
BELMONT COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016
(Continued)

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

**FINDING NUMBER 2016-001
(Continued)**

Noncompliance and Material Weakness (Continued)

- A posting mistake in the amount of \$5,062 was improperly corrected as a transfer in the accounting system, rather than a decrease in expenditures in the Fire & EMS Equipment Levy Fund (2903) and an increase in expenditures in the Fire Levy Fund (2902).

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

In addition to the adjustments listed above, we also identified an additional misstatement in the amount of \$230 that we have brought to the Village's attention.

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

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

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

During 2016, expenditures exceeded appropriations in the Water Operating Fund (5101) by \$43,133 and Enterprise Improvement Fund (5701) by \$886,688. Failure to limit expenditures to within approved appropriations could result in the Village overspending and deficit fund balances could occur.

The Village should regularly monitor appropriations and expenditures and approve supplemental appropriations in the minutes when necessary. In addition, the Village should file amendments with the County Auditor to ensure that expenditures from each fund do not exceed the total appropriations.

FINDING NUMBER 2016-003

Material Weakness

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

VILLAGE OF HOLLOWAY
BELMONT COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016
(Continued)

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

FINDING NUMBER 2016-003 (Continued)

Material Weakness (Continued)

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

The Village did not always accurately classify receipts, disbursements, and fund balance in 2016 as noted below:

- A receipt for franchise fees in the amount of \$3,098 was improperly posted to Other Financing Sources in the General Fund, rather than Fines, Licenses and Fees.
- The interest portion of a United States Department of Agriculture (USDA) debt payment relating to the Village's water line replacement project, totaling \$3,903, was improperly posted to Debt Service - Principal in the Enterprise Debt Service Fund (5721), rather than Debt Service - Interest.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements. The Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead reporting the excess as assigned, in the amount of \$3,416.

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

In addition to the reclassifications listed above, we also identified an additional misstatements ranging from \$615 to \$3,903 that we have brought to the Village's attention.

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

FINDING NUMBER 2016-004

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.40 states, in part, that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

VILLAGE OF HOLLOWAY
BELMONT COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016
(Continued)

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

**FINDING NUMBER 2016-004
(Continued)**

Noncompliance and Material Weakness (Continued)

The Village Council did not always approve amended or supplemental appropriations in the Village Council minutes during 2016. We noted \$882,251 in appropriation amendments posted to the Village's accounting system, which were not approved by Council. In addition, amended appropriations were not always filed with the County Auditor.

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

Officials' Response: Please refer to the Corrective Action Plan.

VILLAGE OF HOLLOWAY

P.O. Box 52
Holloway, Ohio 43985

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR PART 200.511(b) DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 5705.10(D) – Posting to improper fund	Not corrected	The Village has not adopted a procedure to ensure posting to a proper fund.
2015-002	Improper classification of receipts and expenditures	Not corrected	The Village has not adopted a procedure to ensure posting to proper line account classification.
2015-003	Ohio Rev. Code § 5705.40 – Amended or supplemental appropriations not approved	Not corrected	The Village has not adopted a procedure to ensure that legislative authority is obtained before posting supplemental appropriations to budgetary accounting system.

VILLAGE OF HOLLOWAY

P.O. Box 52
Holloway, Ohio 43985

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) DECEMBER 31, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The posting errors in the prior audit (2013-2014) were not discussed with the Village by our prior auditor. Therefore, we did not understand how to correct this situation. The Village will now work to correct these errors.	December 31, 2017	Kelly Fulton, Fiscal Officer
2016-002	The Village will ensure appropriation changes are properly approved by Council, and that this approval is documented in the minutes to help correct this issue.	December 31, 2017	Kelly Fulton, Fiscal Officer
2016-003	The posting errors in the prior audit (2013-2014) were not discussed with the Village by our prior auditor. Therefore, we did not understand how to correct this situation. The Village will now work to correct these errors.	December 31, 2017	Kelly Fulton, Fiscal Officer
2016-004	The Village will ensure appropriation changes are properly approved by Council, and that this approval is documented in the minutes to help correct this issue.	December 31, 2017	Kelly Fulton, Fiscal Officer

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Dave Yost • Auditor of State

VILLAGE OF HOLLOWAY

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 26, 2017