



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF HOLLOWAY
BELMONT COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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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 years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Holloway, Belmont County, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

July 16, 2019

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, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$7,176	\$24,323	\$31,499
Intergovernmental	39,562	18,530	58,092
Fines, Licenses and Permits	3,849	0	3,849
Earnings on Investments	774	0	774
Miscellaneous	432	0	432
<i>Total Cash Receipts</i>	<u>51,793</u>	<u>42,853</u>	<u>94,646</u>
Cash Disbursements			
Current:			
Security of Persons and Property	0	16,951	16,951
Basic Utility Services	5,006	0	5,006
Transportation	14,587	23,981	38,568
General Government	27,600	361	27,961
<i>Total Cash Disbursements</i>	<u>47,193</u>	<u>41,293</u>	<u>88,486</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<u>4,600</u>	<u>1,560</u>	<u>6,160</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	238	0	238
Other Financing Uses	(685)	0	(685)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(447)</u>	<u>0</u>	<u>(447)</u>
<i>Net Change in Fund Cash Balances</i>	4,153	1,560	5,713
<i>Fund Cash Balances, January 1</i>	<u>18,004</u>	<u>67,839</u>	<u>85,843</u>
Fund Cash Balances, December 31			
Restricted	0	69,399	69,399
Unassigned	22,157	0	22,157
<i>Fund Cash Balances, December 31</i>	<u><u>\$22,157</u></u>	<u><u>\$69,399</u></u>	<u><u>\$91,556</u></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, 2018**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	76,800
<i>Total Operating Cash Receipts</i>	<i>76,800</i>
Operating Cash Disbursements	
Personal Services	26,985
Employee Fringe Benefits	1,150
Contractual Services	9,962
Supplies and Materials	11,653
Other	135
<i>Total Operating Cash Disbursements</i>	<i>49,885</i>
<i>Operating Income</i>	<i>26,915</i>
Non-Operating Receipts (Disbursements)	
Capital Outlay	(3,400)
Principal Retirement	(10,098)
Interest and Other Fiscal Charges	(10,056)
Other Financing Sources	103
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(23,451)</i>
<i>Net Change in Fund Cash Balances</i>	<i>3,464</i>
<i>Fund Cash Balances, January 1</i>	<i>64,267</i>
<i>Fund Cash Balances, December 31</i>	<i>\$67,731</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, 2018

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 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.

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Water Operating Fund The water operating fund accounts for charges for services revenue received from Village residents to cover water service costs to treat and distribute water.

Water Debt Service Fund The water debt service fund accounts for charges for services revenue received from Village residents to cover the USDA debt payments.

Water Emergency and Improvements Fund The water emergency and improvements fund is used to accumulate resources to be used for future operating expenses, emergencies, or improvements for the Village's water system.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund 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. 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 2018 budgetary activity appears in Note 4.

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Fund Balance

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

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

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

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

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

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

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

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Compliance

Contrary to Ohio Rev. Code § 5705.10, several receipts were posted to incorrect funds. Also, contrary to Ohio Rev. Code § 5705.38, Village Council did not pass an annual appropriation measure during the year ended December 31, 2018, therefore, expenditures exceeded appropriations in all funds contrary to Ohio Rev. Code § 5705.41(B).

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,121	\$52,031	\$910
Special Revenue	67,075	42,853	(24,222)
Enterprise	77,685	76,903	(782)
Total	\$195,881	\$171,787	(\$24,094)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$48,407	(\$48,407)
Special Revenue	0	41,376	(41,376)
Enterprise	0	73,980	(73,980)
Total	\$0	\$163,763	(\$163,763)

Note 5 – Deposits

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

Demand deposits	2018 \$146,167
Certificates of deposit	13,120
Total deposits	\$159,287

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 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.

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

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, 2017(most recent available), 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.

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, 2017 (latest information available).

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>2018 Contributions to PEP</u>
\$4,163

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

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 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, 2018.

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Social Security

The Village’s elected officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Officials 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, 2018.

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. 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 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
United States Department of Agriculture - Rural Development Loan 91-01	\$57,725	4.50%
United States Department of Agriculture - Rural Development Loans 91-03 & 91-05	431,000	1.625%
Total	\$488,725	

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 annual 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, 2018 are \$6,092, \$20,778, and \$15,663, respectively.

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Village failed to deposit adequate funds into its bond account for the debt payments on USDA loan 91-01 during 2018. The Village paid \$3,052 from the reserve fund due to having inadequate financial resources in the debt service fund. Additionally, at December 31, 2018, there is not sufficient funds in the bond account or the debt service reserve fund to make the upcoming 2019 payments without significant increases in monthly deposits to the bond account.

Amortization

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

	USDA Loan	USDA Loan 91-03 & 91- 05
Year Ending December 31:	91-01	05
2019	\$13,151	\$15,204
2020	13,151	15,371
2021	13,151	15,332
2022	13,151	15,293
2023	13,151	15,251
2024-2028	0	76,456
2029-2033	0	76,463
2034-2038	0	76,539
2039-2043	0	76,363
2044-2048	0	76,505
2049-2053	0	76,331
2054-2056	0	45,952
Total	\$65,755	\$581,060

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 serves 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 2018, the Village made one payment of \$112 to Bel-O-Mar Regional Council.

Note 12 – Subsequent Event

On May 14, 2019, the Village approved accepting bids for the construction of a new building. The Village plans to use the remaining \$127,000 of USDA grant funding for water system upgrades and a \$250,000 Appalachian Regional Commission grant to fund the construction of the building.

**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, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$7,780	\$26,182	\$33,962
Intergovernmental	32,260	43,182	75,442
Fines, Licenses and Permits	3,498	0	3,498
Earnings on Investments	843	0	843
Miscellaneous	3,643	0	3,643
<i>Total Cash Receipts</i>	<u>48,024</u>	<u>69,364</u>	<u>117,388</u>
Cash Disbursements			
Current:			
Security of Persons and Property	0	22,483	22,483
Leisure Time Activities	1,279	0	1,279
Basic Utility Services	4,703	0	4,703
Transportation	22,577	41,428	64,005
General Government	27,216	0	27,216
<i>Total Cash Disbursements</i>	<u>55,775</u>	<u>63,911</u>	<u>119,686</u>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	<u>(7,751)</u>	<u>5,453</u>	<u>(2,298)</u>
Other Financing Receipts			
Other Financing Sources	809	0	809
<i>Total Other Financing Receipts</i>	<u>809</u>	<u>0</u>	<u>809</u>
<i>Net Change in Fund Cash Balances</i>	(6,942)	5,453	(1,489)
<i>Fund Cash Balances, January 1</i>	<u>24,946</u>	<u>62,386</u>	<u>87,332</u>
Fund Cash Balances, December 31			
Restricted	0	67,839	67,839
Unassigned	18,004	0	18,004
<i>Fund Cash Balances, December 31</i>	<u>\$18,004</u>	<u>\$67,839</u>	<u>\$85,843</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, 2017**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	77,708
<i>Total Operating Cash Receipts</i>	<i>77,708</i>
Operating Cash Disbursements	
Personal Services	26,653
Employee Fringe Benefits	1,214
Contractual Services	24,650
Supplies and Materials	15,185
Other	8
<i>Total Operating Cash Disbursements</i>	<i>67,710</i>
<i>Operating Income</i>	<i>9,998</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	696,917
Capital Outlay	(686,442)
Principal Retirement	(9,664)
Interest and Other Fiscal Charges	(9,759)
Other Financing Uses	(1,374)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(10,322)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(324)</i>
<i>Fund Cash Balances, January 1</i>	<i>64,591</i>
<i>Fund Cash Balances, December 31</i>	<i>\$64,267</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, 2017

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 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.

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 Fund:

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

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

Budgetary Process

The Ohio Revised Code requires that each fund 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. 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 2017 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.

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Fund Balance

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

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

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

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

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

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

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

Note 3 - Compliance

Contrary to Ohio Rev. Code § 5705.10, several receipts were posted to incorrect funds. Also, contrary to Ohio Rev. Code § 5705.38, Village Council did not pass an annual appropriation measure during the year ended December 31, 2017, therefore, expenditures exceeded appropriations in all funds contrary to Ohio Rev. Code § 5705.41(B).

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,690	\$48,833	(\$9,857)
Special Revenue	62,230	69,364	7,134
Enterprise	480,707	774,625	293,918
Total	\$601,627	\$892,822	\$291,195

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$56,034	(\$56,034)
Special Revenue	0	64,287	(64,287)
Enterprise	0	775,339	(775,339)
Total	\$0	\$895,660	(\$895,660)

Note 5 – Deposits

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

Demand deposits	2017 \$136,990
Certificates of deposit	13,120
Total deposits	\$150,110

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 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.

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, 2017

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, 2017, 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, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>2017 Contributions to PEP</u> \$4,221
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Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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 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, 2017.

Social Security

The Village's elected officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Officials 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, 2017.

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 1.0 percent of the employer contribution to fund these benefits during calendar year 2017.

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
United States Department of Agriculture - Rural Development Loan 91-01	\$67,824	4.50%
United States Department of Agriculture - Rural Development Loans 91-03 & 91-05	431,000	1.625%
Total	<u>\$498,824</u>	

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 annual 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, 2017 are \$5,462, \$21,430 and \$22,012, respectively.

The Village failed to deposit adequate funds into its bond account for the debt payments on USDA loan 91-01 during 2017. The Village paid \$6,272 from the reserve fund due to having inadequate financial resources in the debt service fund.

Village of Holloway, Ohio
Belmont County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Amortization

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

Year Ending	USDA Loan	USDA Loan
December 31:	91-01	91-03 & 91-05
2018	\$13,151	\$7,004
2019	13,151	15,204
2020	13,151	15,371
2021	13,151	15,332
2022	13,151	15,293
2023-2027	13,151	76,499
2028-2032	0	76,365
2033-2037	0	76,512
2038-2042	0	76,407
2043-2047	0	76,531
2048-2052	0	76,340
2053-2056	0	61,208
Total	\$78,906	\$588,066

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 serves 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 2017, the Village made one payment of \$112 to Bel-O-Mar Regional Council.

Note 12 – 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 13 – Subsequent Event

On May 14, 2019, the Village approved accepting bids for the construction of a new building. The Village plans to use the remaining \$127,000 of USDA grant funding for water system upgrades and a \$250,000 Appalachian Regional Commission grant to fund the construction of the building.

OHIO AUDITOR OF STATE KEITH FABER



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

Village of 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, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated July 16, 2019, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2018-001, 2018-004, and 2018-005 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2018-006 and 2018-007 described in the accompanying Schedule of Findings to be significant deficiencies.

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 2018-001 through 2018-003.

Village'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 subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 16, 2019

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) provides 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. Further, Ohio Rev. Code § 5705.10(I) states money paid into any fund shall be used only for the purposes for which such fund is established.

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

During 2018, the following adjustments were noted:

- Homestead and rollback revenue in the amount of \$2,139 was posted entirely to the General Fund and should have been posted as Intergovernmental revenue within the Police Levy, Fire and EMS, Fire Levy, Street Light Levy, and the Fire Department Levy - 1999 Funds in the amount of \$510, \$155, \$139, \$747, and \$588, respectively.
- A bonus payment for the Fiscal Officer in the amount of \$150 was posted to the Street Fund and should have been posted to General Government within the General Fund.

During 2017, the following adjustments were noted:

- United States Department of Agriculture (USDA) grant proceeds in the amount of \$696,917 was recorded in the Other Capital Projects Fund. Given the source of the revenue, this should have been recorded in the Enterprise Improvement Fund as Intergovernmental revenue.
- Expenditures related to the water line replacement project were improperly posted to Other Capital Projects Fund and should have been posted to Contractual Services and Capital Outlay in the amounts of \$12,218 and \$684,699, respectively, in the Enterprise Improvement Fund.
- Homestead and rollback revenue in the amount of \$2,289 was posted entirely to the General Fund and should have been posted as Intergovernmental revenue within the Police Levy, Fire and EMS, Fire Levy, Street Light Levy, and the Fire Department Levy - 1999 funds in the amount of \$543, \$182, \$148, \$791, and \$625, respectively.
- Motor vehicle registration fees were posted to the State Highway Fund and should have been posted to the Street Fund as Intergovernmental revenue in the amount of \$151.

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

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response: The Village will pay closer attention that transactions will be properly classified.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 5705.38(A) states, in part, that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April.

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 as provided in such chapter.

Permanent appropriations were not passed by Council in the minute record during fiscal year 2018 or 2017; therefore, expenditures exceeded appropriations in all funds for 2018 and 2017.

The Village should ensure that permanent appropriations are passed by Council and documented in the minute record. The Village should also regularly monitor appropriations and expenditures and, if necessary, file amendments with the County Auditor to ensure that expenditures from each fund do not exceed the total appropriations. This will help to reduce the risk of disbursements exceeding appropriations and will add a measure of control over the Village's budgetary process.

Officials' Response: The Village will make sure that the permanent appropriations are documented in the minutes.

FINDING NUMBER 2018-003

Noncompliance

Holloway Bond Ordinance 433, Section 9 (1997) and Holloway Ordinance 2016-5, Section 5 (2016) requires that USDA loan #91-01, #91-03 and #91-05 shall be payable solely from the Village's water revenues, in which a sufficient portion should be set aside in a special fund to pay the principal and interest as it becomes due.

Debt payments for USDA loan #91-01 during 2018 and 2017 were partially charged to the Enterprise Reserve Fund due to inadequate financial resources in the Enterprise Debt Service Fund in the amounts of \$3,052 and \$6,272, respectively. Additionally, at December 31, 2018, the Enterprise Debt Service Fund ending balance is \$6,092, which is not sufficient, even with anticipated 2019 allocations to this Fund, to cover the upcoming 2019 debt payments that total \$28,355.

Without significant increases in the monthly deposits to the Enterprise Debt Service Fund, the Village will not have adequate financial resources to pay the upcoming debt payments from the Enterprise Debt Service Fund, as required.

The Village should ensure adequate funds are set aside monthly in the Enterprise Debt Service Fund in order to comply with the debt covenants and make the required principal and interest payments each year from the Enterprise Debt Service Fund.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

**FINDING NUMBER 2018-003
(Continued)**

Noncompliance - Holloway Bond Ordinance 433, Section 9 (1997) and Holloway Ordinance 2016-5, Section 5 (2016) (Continued)

Officials' Response: The Village has taken corrective measures to insure there is adequate funds to pay debt payments.

FINDING NUMBER 2018-004

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The following variances occurred in 2018 regarding appropriations:

Opinion Unit	Approved Appropriations	Appropriation Amount Posted to the Accounting System	Variance
General	\$0	\$68,800	(\$68,800)
Special Revenue	0	111,320	(111,320)
Enterprise	0	123,733	(123,733)

Additionally, during 2018, we noted estimated receipts on the Village's Amended Certificate for the General Fund varied by \$3,393 from the amount posted in the accounting system.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

**FINDING NUMBER 2018-004
(Continued)**

Material Weakness (Continued)

The following variances occurred in 2017 regarding appropriations:

Opinion Unit	Approved Appropriations	Amount Posted to the Accounting System	Variance
General	\$0	\$62,106	(\$62,106)
Special Revenue	0	103,142	(103,142)
Enterprise	0	827,142	(827,142)

Additionally, during 2017, we noted estimated receipts on the Village's Amended Certificate for the Enterprise Funds varied by \$283,561 from the amount posted in the accounting system.

Adjustments, in which management agrees, were made to the budgetary activity note to accurately present estimated receipts and appropriations.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Additionally, the Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: The Village will take more precaution in posting properly to the accounting system.

FINDING NUMBER 2018-005

Material Weakness

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.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2018-005
(Continued)**

Material Weakness (Continued)

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

The Ohio Village Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not always accurately classify receipts and disbursements to the correct account classification.

For the year ended December 31, 2018, the following errors were noted:

- Homestead and rollback revenue was posted as Property and Other Local Taxes within the Police Levy, Fire and EMS, Fire Levy, Street Light Levy, and the Fire Department Levy - 1999 Funds in the amounts of \$513, \$170, \$138, \$742, and \$587, respectively, and should have been posted as Intergovernmental.
- Undistributed funds from Belmont County totaling \$6,114 were posted to Other Financing Sources and should have been posted as Intergovernmental within the General Fund.
- A receipt for franchise fees in the amount of \$3,789 was posted to Other Financing Sources in the General Fund, rather than Fines, Licenses and Permits.
- Motor vehicle license tax revenue was posted to Property and Other Local Taxes rather than Intergovernmental in the Street and State Highway Funds in the amount of \$1,947 and \$214, respectively.
- A street employee's gross wages totaling \$10,630 was posted to General Government rather than Transportation within the General Fund. Additionally, non-payroll disbursements totaling \$1,823 were posted to Transportation rather than General Government within the General Fund.
- Interest payments were posted as principal in the amount of \$7,004 within the Enterprise Debt Service Fund.
- Disbursements totaling \$3,714 were posted to Other Financing Uses rather than Capital Outlay, Contractual Services, Supplies and Materials, and Other in the amounts of \$400, \$2,523, \$656, \$135, respectively, within the Water Emergency and Improvements Fund.
- A disbursement for the furnace at the water treatment plant was posted to Supplies and Materials in the amount of \$3,000 that should have been posted to Capital Outlay within the Water Emergency and Improvements Fund.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2018-005
(Continued)**

Material Weakness (Continued)

For the year ended December 31, 2017, the following errors were noted:

- Homestead and rollback revenue was posted as Property and Other Local Taxes within the Police Levy, Fire and EMS, Fire Levy, Street Light Levy, and the Fire Department Levy - 1999 Funds in the amounts of \$521, \$180, \$142, \$763, \$601, respectively, and should have been posted as Intergovernmental.
- Motor vehicle license tax revenue and license tag fees were posted to Property and Other Local Taxes rather than Intergovernmental in the Street and State Highway Funds in the amount of \$26,414, and \$306, respectively.
- A receipt for franchise fees in the amount of \$3,434 was posted to Other Financing Sources in the General Fund, rather than Fines, Licenses and Permits.
- A street employee's gross wages totaling \$13,980 was posted to General Government rather than Transportation within the General Fund.
- A disbursement for the fence at the playground was posted to Transportation rather than Leisure Time Activities in the amount of \$1,279 within the General Fund.
- Interest payments were posted as principal in the amount of \$3,487 within the Enterprise Debt Service Fund.
- Disbursements totaling \$8,364 were posted to Claims rather than Capital Outlay, Contractual Services, and Supplies and Materials in the amounts of \$1,743, 2,416, and \$4,205, respectively, within the Water Operating Fund.

The reclassifications noted above, with which management agrees, have been made and are reflected in the accompanying financial statements.

In addition to the reclassifications listed above, we also identified additional misstatements ranging from \$1,240 to \$529 in 2018 and ranging from \$2,380 to \$259 in 2017 that we have brought to the Village's attention.

The Village does not have internal controls in place to help ensure receipts/ expenditures are properly classified on the financial statements.

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

The Fiscal Officer should refer to the Ohio Village Handbook for proper receipt and expenditure classifications and take additional care in posting transactions to the Village's ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's financial resources.

Officials' Response: The Village will take more caution with classification.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-006

Significant Deficiency

Village officials are responsible for maintaining an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record, and report its transactions and maintain accountability for its related assets and liabilities. The accounting system should assure that the financial statement assertions are achieved for all transaction types and account balances.

During our testing of water revenue, billing, and adjustments, we noted the following:

- The Board of Public Affairs did not review noncash adjustments made on customer accounts during 2018 or 2017. Review of the Adjustments Detail Report noted 441 adjustments totaling \$195,913 in 2018, and 451 adjustments totaling \$5,564 in 2017 that were not reviewed or approved by the Board of Public Affairs.
- Water payment stubs collected from the customers upon payment were not consistently marked to clearly indicate the amount paid or the date the payment was received.
- Village ordinances indicate a limit of 4,000 gallons per month for the minimum bill and \$2.00 per thousand gallons over the 4,000 per month limit. Testing during 2018 found that the August, 2018 billing was for a two month period, which should allow for an 8,000 gallon minimum; however, customers were improperly over-billed for usage over 4,000 gallons. During 2017, testing noted that meters were not read from November 30, 2016 through August 25, 2017, or 268 days. When the meters were read in August, 2017, the Village improperly charged customers for any usage over 12,000 gallons rather than 36,000 gallons.

The Village should consider implementing the following procedures:

- The Board of Public Affairs should ensure all noncash adjustments are being reviewed and approved at each monthly meeting to ensure that only necessary and proper adjustments are being made to customer accounts.
- Water payment stubs should be clearly marked by the Water Clerk when payment is received to indicate the amount that is due and what is paid by the customer. In addition, payment stubs should be stamped or marked in some manner to indicate the date in which the payment was received.
- The Village should ensure customers are being billed based on the approved water rates in effect. If meters are not read monthly, the Village should adjust the minimum gallon limit prior to billing so customers are not over or under-billed.

Officials' Response: The Village has taken corrective action regarding adjustment reports, and that they are approved and signed in monthly minutes. Payment stubs will be stamped and amount paid.

FINDING NUMBER 2018-007

Significant Deficiency

Village officials are responsible for maintaining an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record, and report its transactions and maintain accountability for its related assets and liabilities. The accounting system should assure that the financial statement assertions are achieved for all transaction types and account balances.

**VILLAGE OF HOLLOWAY
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2018-007
(Continued)**

Significant Deficiency (Continued)

During our testing of payroll, we noted the following:

- Council does not formally approve pay rates for the Village employees. It appears Council receives an annual report from the Mayor, but there is no documentation that Council approved the rates or salaries included on this report.
- The Village has one employee that completes dual duties as a street hourly employee and a water salaried employee; however, we were unable to obtain formal documentation of what is expected to be paid to this employee for the hourly portion paid from the Village General or Street funds. Due to lack of documentation, we were unable to test reasonableness of these payments.
- The Village does not have procedures in place to review the appropriateness of the fund and account code the employee's time is being charged. Our testing procedures noted the Village employee completes time sheets logging hours worked for bi-weekly payroll paid from the Village's General or Street funds, which includes hours paid for water duties, in addition to street duties, however, there is no documentation that these time sheets are being reviewed.
- Hours paid to the Village employee did not always agree to the timecards. We noted two instances during 2018 that indicated the employee was underpaid for time worked and one instance that we were unable to determine the time worked due to inconsistencies in the dates on the time sheet and pay period.
- The Village provides their employee with one week of vacation each year, however, there is no formal policy regarding vacation leave or how leave is to be paid out.
- The Village employee manual provides for sick leave benefits; however, the benefits described in the manual were not provided to their employee and do not meet the requirements of Ohio Rev. Code § 124.38.

As a result, the Village has a lack of control over payroll expenditures.

The Village should consider implementing the following procedures:

- Pay rates should be approved by Council and this approval should be documented in the minutes.
- Council should document the expectations of the employee with dual duties and re-evaluate the need to pay one employee hourly wages and salaried wages bi-weekly and semi-monthly.
- Hourly employee's time sheets should be reviewed for the appropriateness of the fund and account code that employee wages are being charged to ensure reasonableness.
- The Fiscal Officer should review employee time sheets to ensure hours paid agree to the time sheets.
- The Village should ensure that all policies outlining all employee leave benefits, including, but not limited to accrual amounts, requirements for usage, and payouts for non-use or at separation of employment with the Village are approved by Council.
- Sick leave policies approved by Council should meet the minimum requirements of the Ohio Rev. Code and be provided to eligible employees.

Officials' Response: The Village has taken corrective action, and will make sure pay rates are approved by council and documented, thus having Mayor's annual report approved and documented.

VILLAGE OF HOLLOWAY
 PO BOX 152
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 740-968-4024

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2018 and 2017

Finding Number	Finding Summary	Status	Additional Information
2016-01	Ohio Rev. Code § 5705.10(D) – Posting to improper fund	Not Corrected	The Village is working on posting to correct fund.
2016-02	Ohio Rev. Code § 5705.41(B) – Restriction upon appropriation and expenditure of money	Not Corrected	The Village will ensure that we do not spend in excess of appropriations.
2016-03	Improper classification of receipts and expenditures	Not Corrected	The Village is working on proper classification of receipts and expenditures.
2016-04	Ohio Rev. Code § 5705.40 – Amending or supplementing appropriation ordinance	Not Corrected	The Village will work on ensuring approval of supplemental appropriations.

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OHIO AUDITOR OF STATE
KEITH FABER



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
JULY 30, 2019**