



Mary Taylor, CPA  
Auditor of State



VILLAGE OF HIGHLAND  
HIGHLAND COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Village of Highland  
Highland County  
12131 New Lexington Avenue  
Highland, Ohio 45132

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Mary Taylor, CPA**  
Auditor of State

February 14, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Highland  
Highland County  
12131 New Lexington Avenue  
Highland, Ohio 45132

To the Village Council:

We have audited the accompanying financial statements of Village of Highland, Highland County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Highland, Highland County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 14, 2008



**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Local Taxes	\$7,595			\$7,595
Intergovernmental	25,760	\$13,380		39,140
Earnings on Investments	59	181	\$5	245
Miscellaneous	390			390
<b>Total Cash Receipts</b>	<u>33,804</u>	<u>13,561</u>	<u>5</u>	<u>47,370</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	3,712			3,712
Public Health Services	363			363
Leisure Time Activities	1,315			1,315
Transportation	1,339	7,144		8,483
General Government	17,407			17,407
Debt Service:				
Redemption of Principal	4,450			4,450
Capital Outlay			1,916	1,916
<b>Total Cash Disbursements</b>	<u>28,586</u>	<u>7,144</u>	<u>1,916</u>	<u>37,646</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>5,218</u>	<u>6,417</u>	<u>(1,911)</u>	<u>9,724</u>
<b>Other Financing Receipts:</b>				
Proceeds from Debt:				
OWDA Loan Drawdowns			1,660	1,660
<b>Total Other Financing Receipts</b>	<u>0</u>	<u>0</u>	<u>1,660</u>	<u>1,660</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>5,218</u>	<u>6,417</u>	<u>(251)</u>	<u>11,384</u>
<b>Fund Cash Balances, January 1</b>	<u>11,505</u>	<u>44,294</u>	<u>1,500</u>	<u>57,299</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$16,723</u></u>	<u><u>\$50,711</u></u>	<u><u>\$1,249</u></u>	<u><u>\$68,683</u></u>

*The notes to the financial statements are an integral part of this statement.*

VILLAGE OF HIGHLAND  
HIGHLAND COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Miscellaneous	<u>\$12,688</u>
Total Operating Cash Receipts	<u>12,688</u>
<b>Operating Cash Disbursements:</b>	
Other	<u>90</u>
Total Operating Cash Disbursements	<u>90</u>
Net Receipts Over/(Under) Disbursements	12,598
Fund Cash Balances, January 1	<u>0</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$12,598</u></u></b>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Local Taxes	\$6,905			\$6,905
Intergovernmental	26,146	\$13,091		39,237
Earnings on Investments	42	104		146
Miscellaneous	692			692
Total Cash Receipts	<u>33,785</u>	<u>13,195</u>	<u>0</u>	<u>46,980</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	3,814			3,814
Public Health Services	359			359
Leisure Time Activities	1,546			1,546
Transportation	1,300	4,535		5,835
General Government	23,630			23,630
Debt Service:				
Redemption of Principal	4,450			4,450
Capital Outlay			\$43,789	43,789
Total Cash Disbursements	<u>35,099</u>	<u>4,535</u>	<u>43,789</u>	<u>83,423</u>
Total Receipts Over/(Under) Disbursements	<u>(1,314)</u>	<u>8,660</u>	<u>(43,789)</u>	<u>(36,443)</u>
<b>Other Financing Receipts:</b>				
Proceeds from Debt:				
OWDA Loan Drawdowns			43,789	43,789
Total Other Financing Receipts	<u>0</u>	<u>0</u>	<u>43,789</u>	<u>43,789</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,314)	8,660	0	7,346
Fund Cash Balances, January 1	<u>12,819</u>	<u>35,634</u>	<u>1,500</u>	<u>49,953</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$11,505</u></b>	<b><u>\$44,294</u></b>	<b><u>\$1,500</u></b>	<b><u>\$57,299</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$433</u>	<u>\$0</u>	<u>\$433</u>

*The notes to the financial statements are an integral part of this statement.*

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**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Highland, Highland County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services and park operations. The Highland County Sheriff's department provides security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Deposits**

The Village deposits all available funds in a "Plus Checking" account at a local commercial bank.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Sewer Construction Project Fund – This fund receives grants and proceeds of loans for construction of a sewer system for village residents.

**4. 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:

Sewer Fund - This fund receives the monthly user fee established by Ordinance 2004-08.

**E. Budgetary Process**

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

**1. 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. 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. The Village did not use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations for amounts that should have been encumbered.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Property, Plant, and Equipment**

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

**2. Equity in Pooled Cash**

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

	2006	2005
Demand deposits	\$81,281	\$57,299

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,760	\$33,804	\$2,044
Special Revenue	13,091	13,561	470
Capital Projects	1,660	1,665	5
Enterprise	5,850	12,688	6,838
Total	\$52,361	\$61,718	\$9,357

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,000	\$28,586	\$12,414
Special Revenue	16,273	7,144	9,129
Capital Projects	3,160	1,915	1,245
Enterprise	3,000	90	2,910
Total	\$63,433	\$37,735	\$25,698

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,050	\$33,785	\$1,735
Special Revenue	11,563	13,195	1,632
Capital Projects	44,189	43,789	(400)
Total	\$87,802	\$90,769	\$2,967

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,740	\$35,099	\$9,641
Special Revenue	24,500	4,968	19,532
Capital Projects	45,689	43,789	1,900
Total	\$114,929	\$83,856	\$31,073

Contrary to Ohio law, the Village did not obtain prior certification of the fiscal officer for all purchases, nor were the purchase orders encumbered for which prior certification was obtained.

**4. Property Tax**

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.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. Debt**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Storm Sewer Replacement Loan	\$27,300	0%
Ohio Water Development Authority Wastewater System Planning Loan	11,660	0%
Ohio Water Development Authority Wastewater Planning Loan	86,100	5.56
Total	\$125,060	



**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. Debt (Continued)**

The Ohio Public Works Commission (OPWC) loan relates to a storm sewer replacement project. The OPWC loan was originally obtained in 2001 for \$39,000 to be repaid, interest free, over a 20 year period in the amount of \$1,950 per year.

In 2001 the Ohio Water Development Authority (OWDA) approved up to \$25,000 in loan total to conduct a feasibility study for a new wastewater treatment plant that was mandated by the Ohio Environmental Protection Agency. The loan is scheduled to be repaid over an 10 year period beginning in 2003, with annual installments of \$2,500. At December 31, 2006, only \$21,660 was drawn down on the loan. The scheduled payment amounts below assume that the entire \$25,000 will be borrowed.

In 2004 the Ohio Water Development Authority (OWDA) approved up to \$86,500 in loan total to finance the planning activities for construction of a gravity sewer collection system, force main and pump station, with wastewater treatment provided by the Village of Leesburg. As of December 31, 2006 \$86,100 had been drawn down on this loan. This loan is to be repaid in a five year period with revenues from the utility when it becomes operational. As of December 31, 2006 the sewer system has not become operational and the loan has not been amortized, therefore, the future funding requirements for the retirement of this loan has not been included in the amortization schedule below.

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

Year ending December 31:	OPWC Loan	OWDA Loan (assumes full amount drawn)
2007	\$1,950	\$2,500
2008	1,950	2,500
2009	1,950	2,500
2010	1,950	2,500
2011	1,950	2,500
20012-2020	17,550	2,500
Total	<u>\$27,300</u>	<u>\$15,000</u>

**6. Retirement Systems**

The Village's part time employee belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, the OPERS member contributed 9 and 8.5%, respectively, of his gross salary and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of the participant's gross salary. The Village has paid all contributions required through December 31, 2006.

The Village's officials contributed to Social Security in 2006. Contribution rates were 6.2% for employee and employer.

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property
- General liability

**8. Sewer Project Grants, Loans, and Subsequent Events**

In 2006 the Village was also approved for a \$393,000 USDA Rural Development Grant, a ODOT \$600,000 Small Cities Community Development Grant through the Water and Sanitary Sewer Competitive Grant Program and a ODOT \$200,000 Small Cities Community Development Grant through the Appalachian Regional Commission Program. These grants were approved for the construction of the sewer collection system. As of December 31, 2006 nothing had been drawn down on these grants.

In 2006 the Village was approved for a USDA Rural Development loan for construction of the sewer collection system in the amount of \$532,000. As of December 31, 2006 nothing had been drawn down on the loan. On July 11, 2007, this new loan was used to pay off the balances of the two OWDA sewer planning loans in Note 5.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Highland  
Highland County  
12131 New Lexington Avenue  
Highland, Ohio 45132

To the Village Council:

We have audited the financial statements of the Village of Highland, Highland County, Ohio (the Village), as of and for the year ended December 31, 2006 and 2005, and have issued our report thereon dated February 14, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-02 and 2006-03.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-02 and 2006-03 are also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated February 14, 2008.

### **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, providing an opinion 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-01.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated February 14, 2008.

We intend this report solely for the information and use of the management. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 14, 2008

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(D)**, prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified for 19 of 20 transactions tested for 2005 and 3 of the 13 transactions tested for 2006. Even when prior certification was obtained, encumbrances were not posted in the appropriation ledger. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

**FINDING NUMBER 2006-001  
(Continued)**

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk/Treasurer certify that funds are or will be available prior to obligation by the village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials and employee obtain the Clerk/Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials' Response:**

We received no response from officials regarding the finding above.

**FINDING NUMBER 2006-002**

**Material Weakness**

**Annual Financial Reports**

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 following items were noted in the annual financial reports:

- Some columns of the annual financial reports did not foot;
- The general fund receipts and disbursements for 2005, and the receipts only for 2006, did not agree with the cash journal totals. The 2005 cash journal receipts total was \$34,735 but \$33,785 was reported. The 2005 cash journal disbursements total was \$36,274 but \$35,099 was reported. The 2006 cash journal receipts total was \$28,061 but \$32,933 was reported;
- Local government distributions of \$24,531 in 2005 and \$24,587 in 2006 were reported as Taxes. Local government distributions should be reported as Intergovernmental receipts ;
- Debt proceeds of \$43,789 were reported as Intergovernmental receipts in 2005. Debt proceeds of \$1,660 were reported as Miscellaneous receipts in 2006. Proceeds from debt issued should be reported as Debt Proceeds ;
- The Sewer Construction Project Fund receipts of \$43,789 and disbursements of \$43,789 were reported in a Debt Service Fund type and the balance of the OWDA loan available for draw down was reported as the beginning balance in 2005;
- The payments to the sewer project manager, URS, totaling \$43,789 were reported as Debt Principal Payments in 2005; The payments should be reported as Capital Outlay expenditures;

**FINDING NUMBER 2006-002  
(Continued)**

- General real estate taxes of \$6,319 were reported as Intergovernmental receipts in 2005. General real estate taxes should be reported as Taxes;
- Manufactured home tax receipts of \$199 were reported as Intergovernmental receipts in 2006. Manufactured home tax should be reported as Taxes;
- Public utilities reimbursements and HB 66 receipts totaling \$305 were reported as Taxes in 2006. Public utilities reimbursements and HB 66 receipts should be reported as Intergovernmental receipts;
- The Debt Schedule of Total Indebtedness was not completed for 2005;
- The debt retired was reported as principal issued on the Debt Schedule of Total Indebtedness;
- Debt principal payments of \$ 4,450 were reported as Capital Outlay expenditures in 2006;
- The debt principal retired was reported as principal issued on the 2006 Debt Schedule of Total Indebtedness;

The annual financial report is an integral part of the Village's financial decision making and planning. Therefore, it is imperative that the reports fairly and accurately present the Village's financial activity.

The Clerk/Treasurer should:

- Carefully review the instructions and headings on the report to assure information is properly reports;
- Assure that all columns of the annual financial report foot and that total receipts and disbursement from each fund agree with the cash journal year to date totals.

We recommend that a member of the finance committee or Village Council should review the reports for completeness and accuracy before the reports are filed.

Without proper reporting of the Village's financial position, the Council may overspend or improperly budget the Village's funds. Additional, other users of the financial statements do not have an accurate representation of the financial position of the Village.

**Officials' Response:**

We received no response from officials regarding the finding above.

**FINDING NUMBER 2006-003**

**Material Weakness**

Village Ordinance 2004-08, passed in 2006, requires that the Village begin collecting \$15 per month from customers as a sewer user fee. Testing of the sewer user fees showed that summaries are not prepared and presented to Council for review and approval.

To improve internal controls over the collection of Sewer User Fees, we recommend that sewer account spreadsheets be maintained showing the following:

**FINDING NUMBER 2006-003  
(Continued)**

- amounts billed;
- payments received, and;
- balances owed.

A copy of this spread sheet or summary thereof, should be presented to council monthly or quarterly for their review and approval. Council could use this information to monitor receipts and take any actions, if needed, for overdue accounts to assure that sufficient funds are available to operate the sewer operations.

**Officials' Response:**

We received no response from officials regarding the finding above.



**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Section 5705.36(A)(4) Estimated receipts exceeded actual receipts in the General Fund and Sewer Construction Fund	General Fund corrected. Only small amount over in Sewer Construction Fund in 2005	In management letter this audit
2004-002	Section 5705.41(D) Prior certification not obtained for all expenditures and encumbrances not posted in appropriation ledger	No	Repeated as 2006-001
2004-003	Section 5705.41(B) Expenditures exceeded appropriations	Yes	Corrected
2004-004	Annual financial reports not accurately prepared	No	Repeated as 2006-002





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF HIGHLAND**

**HIGHLAND 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  
MARCH 11, 2008**