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**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY  
Regular Audit  
For the Years Ended December 31, 2016 and 2015**

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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Highland, Highland County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Highland is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 30, 2017

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VILLAGE OF HIGHLAND  
HIGHLAND COUNTY

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## INDEPENDENT AUDITOR'S REPORT

June 9, 2017

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

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 Highland**, Highland County, (the Village) as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no 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.

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or 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 combined cash balances of the Village of Highland, Highland County, as of December 31 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 6,230	\$ 633	\$ 6,863
Intergovernmental	17,557	11,177	28,734
Charges for Services	1,954	-	1,954
Earnings on Investments	34	-	34
Miscellaneous	683	-	683
<i>Total Cash Receipts</i>	<u>26,458</u>	<u>11,810</u>	<u>38,268</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	2,156	-	2,156
Public Health Services	286	-	286
Leisure Time Activities	4,480	-	4,480
Community Environment	-	81	81
Transportation	-	12,317	12,317
General Government	13,160	1,230	14,390
<i>Total Cash Disbursements</i>	<u>20,082</u>	<u>13,628</u>	<u>33,710</u>
<i>Net Change in Fund Cash Balances</i>	6,376	(1,818)	4,558
<i>Fund Cash Balances, January 1</i>	<u>11,068</u>	<u>31,114</u>	<u>42,182</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	29,296	29,296
Assigned	216	-	216
Unassigned	17,228	-	17,228
<i>Fund Cash Balances, December 31</i>	<u>\$ 17,444</u>	<u>\$ 29,296</u>	<u>\$ 46,740</u>

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

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$ 66,027</u>
<i>Total Operating Cash Receipts</i>	<u>66,027</u>
<b>Operating Cash Disbursements</b>	
Personal Services	6,565
Employee Fringe Benefits	1,199
Contractual Services	39,415
Supplies and Materials	<u>1,574</u>
<i>Total Operating Cash Disbursements</i>	<u>48,753</u>
<i>Operating Income</i>	<u>17,274</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	29,762
Principal Retirement	(27,498)
Interest and Other Fiscal Charges	<u>(5,373)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(3,109)</u>
<i>Income before Transfers</i>	14,165
Transfers In	32,871
Transfers Out	<u>(32,871)</u>
<i>Net Change in Fund Cash Balances</i>	14,165
<i>Fund Cash Balances, January 1</i>	<u>123,194</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 137,359</u></u>

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

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 6,993	\$ 1,049	\$ 8,042
Intergovernmental	15,477	10,480	25,957
Charges for Services	3,053	-	3,053
Earnings on Investments	31	-	31
Miscellaneous	1,075	-	1,075
	<i>Total Cash Receipts</i>	11,529	38,158
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	3,597	-	3,597
Leisure Time Activities	4,134	-	4,134
Transportation	-	12,236	12,236
General Government	10,880	-	10,880
Debt Service:			
Principal Retirement	1,950	-	1,950
	<i>Total Cash Disbursements</i>	12,236	32,797
	<i>Net Change in Fund Cash Balances</i>	(707)	5,361
	<i>Fund Cash Balances, January 1</i>	31,821	36,821
<b>Fund Cash Balances, December 31</b>			
Restricted	-	31,114	31,114
Assigned	319	-	319
Unassigned	10,749	-	10,749
	<i>Fund Cash Balances, December 31</i>	\$ 31,114	\$ 42,182

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

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 59,915
<i>Total Operating Cash Receipts</i>	59,915
<b>Operating Cash Disbursements</b>	
Personal Services	3,092
Employee Fringe Benefits	452
Contractual Services	44,017
Supplies and Materials	2,898
<i>Total Operating Cash Disbursements</i>	50,459
<i>Operating Income</i>	9,456
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	44,830
Principal Retirement	(24,920)
Interest and Other Fiscal Charges	(6,035)
<i>Total Non-Operating Receipts (Disbursements)</i>	13,875
<i>Income before Transfers</i>	23,331
Transfers In	30,955
Transfers Out	(30,955)
<i>Net Change in Fund Cash Balances</i>	23,331
<i>Fund Cash Balances, January 1</i>	99,863
<i>Fund Cash Balances, December 31</i>	\$ 123,194

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

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**Note 1 - Reporting Entity**

The Village of Highland, Highland 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 general governmental services, sewer utilities and park operations. The Village contracts with the Highland County Sheriff's Department to provide police protection services.

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 Fund*** The street construction, maintenance and repair fund accounts for and reports the receipt of gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

***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 Operating Fund*** The sewer operating fund accounts for and reports the receipt of charges for services from residents to cover the cost of providing this utility.

***Enterprise Debt Service Reserve Fund*** The enterprise debt service reserve fund accounts for and reports user charges set aside to for repayment of loans to finance water and sewer improvement projects.

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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 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 the 2016 and 2015 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Capital Assets***

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

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Fund Balance**

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

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

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

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

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

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

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

**Note 3 - Budgetary Activity**

Budgetary activity for the years ended December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 33,758	\$ 26,458	\$ (7,300)
Special Revenue	11,808	11,810	2
Enterprise	128,660	128,660	-
Total	\$ 174,226	\$ 166,928	\$ (7,298)

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Continued)**

**Note 3 - Budgetary Activity (Continued)**

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 21,425	\$ 20,298	\$ 1,127
Special Revenue	16,484	13,781	2,703
Enterprise	132,753	114,702	18,051
Total	\$ 170,662	\$ 148,781	\$ 21,881

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 33,911	\$ 26,629	\$ (7,282)
Special Revenue	11,529	11,529	-
Enterprise	135,698	135,700	2
Total	\$ 181,138	\$ 173,858	\$ (7,280)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 22,738	\$ 20,880	\$ 1,858
Special Revenue	14,231	12,365	1,866
Enterprise	99,160	112,421	(13,261)
Total	\$ 136,129	\$ 145,666	\$ (9,537)

**Note 4 – Deposits**

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

	<b>2016</b>	<b>2015</b>
Demand Deposits	\$184,099	\$165,376
Total Deposits	\$184,099	\$165,376

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.



**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Continued)**

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**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

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

**Note 6 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Village's 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, 2016.

**Note 8 - Postemployment Benefits**

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

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Continued)**

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Public Works Commission Loan #CO32C	\$ 8,775	0.00%
Ohio Water Development Authority Loan #5094	336,403	1.00%
Assessment Bonds	27,150	4.38%
Total	\$ 372,328	

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 2009, the Village obtained the OWDA New Wastewater Collection system loan to partially pay off the OWDA Sewer Collection System loan. The loan was originally obtained for \$424,384. The interest rate for the loan is 1%, over a 30 year period.

Also during 2009, the Village obtained Special Assessment bonds to help pay for the storm sewer replacement project. The terms of the bond are 4.375% payable semi-annually on the first day of each June and December commencing December 1, 2009 through June 1, 2019.

**Amortization**

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

Year Ended	Bonds	OWDA Loan	OPWC Loan
2017	\$ 14,652	\$ 16,409	\$ 1,950
2018	14,565	16,409	1,950
2019	7,255	16,409	1,950
2020	-	16,409	1,950
2021	-	16,409	975
2022-2026	-	82,405	-
2027-2031	-	82,405	-
2032-2036	-	82,405	-
2037-2039	-	49,227	-
Total	\$ 36,472	\$ 378,487	\$ 8,775

**Note 10 – Contingent Liabilities**

The Village may be defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matters will not materially adversely affect the Village's financial condition.



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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**

June 9, 2017

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

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 Highland**, Highland County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 9, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

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

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

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

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### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 9, 2017.

### **Entity's Response to Findings**

The Village's response to the finding identified in our audit are described in the accompanying schedule of audit findings. We did not audit the Village's response and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Weakness**

**Posting Receipts and Fund Balances**

The Village should have procedures and controls in place to help prevent and detect errors in financial reporting. Fund balances should be classified in accordance with GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions.

During 2016 and 2015, several receipts and fund balances were not posted to accurate classifications. The following posting errors were noted:

- County real estate settlement revenue was recorded as Intergovernmental revenue instead of Property Tax revenue in 2015.
- State rollback revenue was recorded as Property Tax revenue instead of Intergovernmental revenue in 2015 and 2016.
- Outstanding encumbrances in the General Fund were classified as Unassigned instead of Assigned in 2015 and 2016.

Not posting revenues and fund balances accurately resulted in the financial statements requiring several reclassifications. The accompanying financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We recommend the Clerk Treasurer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt accounts. We also recommend the Clerk Treasurer refer to Auditor of State Technical Bulletin 2011-004 for assistance in classifying fund balances.

**Management's Response** – Problems will be corrected for the next audit.

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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>
2014-001	Posting Receipts, Disbursements and Fund Balance Classifications	No	Not Corrected; Repeated as Finding 2016-001



# Dave Yost • 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  
SEPTEMBER 12, 2017