



Dave Yost • Auditor of State

VILLAGE OF HIGGINSPO
BROWN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared By Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2017	3
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type For the Year Ended December 31, 2017	4
Notes to the Financial Statements	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2016	13
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type For the Year Ended December 31, 2016	14
Notes to the Financial Statements	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25
Prepared By Management:	
Summary Schedule of Prior Audit Findings	31

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Higginsport
Brown County
204 Jackson Street
Higginsport, Ohio 45131

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 Higginsport, Brown County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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 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 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.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242

Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

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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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Higginsport, Brown County as of December 31, 2017 and 2016, 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 October 24, 2018, 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.



Dave Yost
Auditor of State

Columbus, Ohio

October 24, 2018

Village of Higginsport, Ohio
 Brown County
 Combined Statement of Receipts, Disbursements
 and Changes to Fund Balances (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	\$17,902	\$20,899	\$38,801
Intergovernmental	9,588	28,124	37,712
Charges for Services	0	30,796	30,796
Fines, Licenses and Permits	30,520	70,786	101,306
Earnings on Investments	157	25	182
Miscellaneous	6,622	31,160	37,782
Total Cash Receipts	64,789	181,790	246,579
Cash Disbursements			
Current:			
Security of Persons and Property	7,124	96,491	103,615
Public Health Services	452	0	452
Transportation	0	42,221	42,221
General Government	21,847	0	21,847
Total Cash Disbursements	29,423	138,712	168,135
Net Change in Fund Cash Balances	35,366	43,078	78,444
Fund Cash Balances, January 1	20,064	224,010	244,074
Fund Cash Balances, December 31			
Restricted	0	267,088	267,088
Assigned	55,430	0	55,430
Fund Cash Balances, December 31	\$55,430	\$267,088	\$322,518

See accompanying notes to the Financial Statements

Village of Higginsport, Ohio

Brown County

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Cash Basis)

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$105,546	\$0	\$105,546
Miscellaneous	544	0	544
Non-Operating Receipts	0	37,149	37,149
<i>Total Operating Cash Receipts</i>	106,090	37,149	142,695
Operating Cash Disbursements			
Personal Services	17,359	0	17,359
Employee Fringe Benefits	3,379	0	3,379
Contractual Services	34,135	0	34,135
Supplies and Materials	7,946	0	7,946
<i>Total Operating Cash Disbursements</i>	62,819	0	62,819
<i>Operating Income (Loss)</i>	43,271	37,149	80,420
Non-Operating Receipts (Disbursements)			
Special Assessments	1,201	0	1,201
Principal Retirement	-10,725	0	-10,725
Interest and Other Fiscal Charges	-1,200	0	-1,200
Non-Operating Disbursements	0	-35,201	-35,201
<i>Total Non-Operating Receipts (Disbursements)</i>	-10,724	-35,201	-45,925
<i>Net Change in Fund Balances</i>	32,547	1,948	34,495
<i>Fund Cash Balances, January 1</i>	55,110	264	55,374
<i>Fund Cash Balances, December 31</i>	\$87,657	\$2,212	\$89,869

See accompanying notes to the Financial Statements

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

Note 1 - Reporting Entity

The Village of Higginsport (the Village), Brown County, 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 sewer utilities, fire services and police services. The Village contracts with Brown County Rural Water to provide sewer utilities. The Village contracts with Lewis Township to provide fire services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Fire Protection Fund - The fire protection fund accounts for local taxes and contract for services monies used to pay for the cost associated with providing and maintaining fire apparatus, appliances, building, or sites and fire and emergency services to the Village residents.

Police Protection Fund - The police protection fund accounts for local taxes, traffic violation funds used to pay for the cost associated with providing and maintaining police department vehicles, equipment and police protection services to the Village residents.

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

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for its Mayor's Court activity.

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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law

A summary of 2017 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 Higginsport, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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. The Village did not have any nonspendable fund balances at December 31, 2017.

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. The Village did not have any committed fund balances at December 31, 2017.

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 Higginsport, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - 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	\$73,000	\$64,789	(\$8,211)
Special Revenue	180,000	181,790	1,790
Enterprise	106,000	107,291	1,291
Fiduciary	0	37,149	37,149
Total	\$359,000	\$391,019	\$32,019

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,000	\$29,423	\$43,577
Special Revenue	180,000	138,712	41,288
Enterprise	106,000	74,744	31,256
Fiduciary	0	35,201	(35,201)
Total	\$359,000	\$278,080	\$80,920

Note 4 – Deposits and Investments

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

Demand Deposits	\$412,387
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Deposits

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

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

Note 5 – Property Taxes

Property Taxes

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

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

Note 6 - Risk Management

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 officials and employees except full-time police officers 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.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

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

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Loan - Wastewater Planning	\$339,789	0%
OWDA Loan - Treatment Plant & Collection	\$157,038	1.5%
Ohio Water Development Authority Loan		
Total	\$496,827	

The Ohio Public Works Commission (OPWC) loan relates to a new wastewater collection system. The OPWC approved up to \$463,349 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$7,722, including interest, over 30 years. The scheduled payment amount below assumes that the entire amount of \$463,349 will be borrowed. The OPWC will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to a new wastewater collection system. The OWDA approved up to \$200,000 in loans to the Village for this project, plus capitalized interest. The Village will repay the loans in semiannual installments of \$4,203, including interest, over 30 years. The scheduled payment amount below assumes that the entire amount of \$200,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipt collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

NCMIC makes an insurance payment for the Village and the Village makes regular installment payments to NCMIC until the balance is paid. In 2017 the Village made monthly payments to NCMIC in the amount of \$725.14.

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

Note 9 Debt (Continued)

Amortization

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

Year Ending December 31:	OWDA Loan	General Obligation Bonds
2018	\$15,445	\$8,406
2019	15,445	8,406
2020	15,445	8,406
2021	15,445	8,406
2022	15,445	8,406
2023-2027	77,225	42,031
2028-2032	77,225	42,031
2033-2037	77,225	42,031
2038-2039	30,890	8,407
Total	<u>\$339,790</u>	<u>\$176,530</u>

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Village of Higginsport, Ohio

Brown County

Combined Statement of Receipts, Disbursements
and Changes to Fund Balances (Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$5,829	\$21,497	\$27,326
Intergovernmental	8,915	15,279	24,194
Charges for Services	0	33,401	33,401
Fines, Licenses and Permits	8,030	765	8,795
Earnings on Investments	123	20	143
Miscellaneous	544	26,424	26,968
Total Cash Receipts	23,441	97,386	120,827
Cash Disbursements			
Current:			
Security of Persons and Property	4,025	75,969	79,994
Public Health Services	600	0	600
Transportation	0	108	108
General Government	16,433	0	16,433
Total Cash Disbursements	21,058	76,077	97,135
Net Change in Fund Cash Balances	2,383	21,309	23,692
Fund Cash Balances, January 1	17,681	202,701	220,382
Fund Cash Balances, December 31			
Restricted	0	224,010	224,010
Assigned	20,064	0	20,064
Fund Cash Balances, December 31	\$20,064	\$224,010	\$244,074

See accompanying notes to the Financial Statements

Village of Higginsport, Ohio

Brown County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2016

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$89,358	\$0	\$89,358
Miscellaneous	461	0	461
Non-Operating Receipts	0	9,333	9,333
<i>Total Operating Cash Receipts</i>	<u>89,819</u>	<u>9,333</u>	<u>98,691</u>
Operating Cash Disbursements			
Personal Services	17,280	0	17,280
Employee Fringe Benefits	3,496	0	3,496
Contractual Services	29,615	0	29,615
Supplies and Materials	12,711	0	12,711
<i>Total Operating Cash Disbursements</i>	<u>63,102</u>	<u>0</u>	<u>63,102</u>
<i>Operating Income (Loss)</i>	<u>26,717</u>	<u>9,333</u>	<u>36,050</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	385	0	385
Principal Retirement	-21,384	0	-21,384
Interest and Other Fiscal Charges	-2,467	0	-2,467
Non-Operating Disbursements	0	-9,069	-9,069
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>-23,466</u>	<u>-9,069</u>	<u>-32,535</u>
<i>Net Change in Fund Balances</i>	3,251	264	3,515
<i>Fund Cash Balances, January 1</i>	<u>51,859</u>	<u>0</u>	<u>51,859</u>
<i>Fund Cash Balances, December 31</i>	<u>\$55,110</u>	<u>\$264</u>	<u>\$55,374</u>

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

Note 1 - Reporting Entity

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Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for its Mayor's Court activity.

Basis of Accounting

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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.

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law

A summary of 2017 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 Higginsport, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

Fund balance is divided into 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. The Village did not have any nonspendable fund balances at December 31, 2016.

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. The Village did not have any committed fund balances at December 31, 2016.

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 Higginsport, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,000	\$23,441	(\$559)
Special Revenue	97,000	97,386	386
Enterprise	90,000	90,204	204
Fiduciary	0	9,333	9,333
Total	\$211,000	\$220,364	\$9,364

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,000	\$21,057	\$2,943
Special Revenue	97,000	76,077	20,923
Enterprise	90,000	86,953	3,047
Fiduciary	0	9,069	(9,069)
Total	\$211,000	\$193,156	\$26,913

Note 4 – Deposits and Investments

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

Demand Deposits	\$299,448
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Deposits

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

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

Note 5 – Property Taxes

Property Taxes

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

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

Note 6 - Risk Management

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 officials and employees except full-time police officers 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.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

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

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Loan - Wastewater Planning	\$347,512	0%
OWDA Loan - Treatment Plant & Collection	\$160,027	1.5%
Ohio Water Development Authority Loan		
Total	\$507,538	

The Ohio Public Works Commission (OPWC) loan relates to a new wastewater collection system. The OPWC approved up to \$463,349 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$7,722, including interest, over 30 years. The scheduled payment amount below assumes that the entire amount of \$463,349 will be borrowed. The OPWC will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to a new wastewater collection system. The OWDA approved up to \$200,000 in loans to the Village for this project, plus capitalized interest. The Village will repay the loans in semiannual installments of \$4,203, including interest, over 30 years. The scheduled payment amount below assumes that the entire amount of \$200,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipt collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

NCMIC makes an insurance payment for the Village and the Village makes regular installment payments to NCMIC until the balance is paid. In 2016 the Village made monthly payments to NCMIC in the amount of \$646.58.

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

Note 9 – Debt (Continued)

Amortization

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

Year Ending December 31:	OWDA Loan	General Obligation Bonds
2017	\$15,445	\$8,406
2018	15,445	8,406
2019	15,445	8,406
2020	15,445	8,406
2021	15,445	8,406
2022-2026	77,225	42,031
2027-2031	77,225	42,031
2032-2036	77,225	42,031
2037-2039	46,335	16,813
Total	<u>\$355,235</u>	<u>\$184,936</u>

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Dave Yost • Auditor of State

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

Village of Higginsport
Brown County
204 Jackson Street
Higginsport, Ohio 45131

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 cash balances, receipts, and disbursements by fund type of the Village of Higginsport, Brown County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2018 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 opinion 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 first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-004 and 2017-005 to be material weaknesses.

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. We consider findings 2017-004 and 2017-005 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 finding 2017-001 described in the accompanying schedule of findings to be a significant deficiency.

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 2017-002 and 2017-003.

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.



Dave Yost
Auditor of State

Columbus, Ohio

October 24, 2018

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2017-001

Significant Deficiency

No public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code Sections 149.38 to 149.42.

The Village was unable to provide the following records:

- Supporting documentation and validated deposit slips for four of five miscellaneous receipts tested for 2016.
- Authorized salary rate information for six of nine employees tested for 2017.
- Form W-4 and Form OH-IT for one of four employees tested for 2017.
- Pension system enrollment forms for three of four employees tested for 2017.
- Supporting invoice documentation for Check #22385, posted February 4, 2016, in the amount of \$152 to Village Market; Check #22457, posted June 14, 2016, in the amount of \$300 to Bob Feinen; and, Check #22666, posted May 9, 2017, in the amount of \$5,300 to Billy Flaughter for tree trimming services. By performing alternative procedures we determined that these expenditures were for a proper public purpose.

Failure to maintain proper documentation could result in difficulties supporting the actions taken by the Village and noncompliance. The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

We recommend that the Village maintain public records as required by law.

FINDING 2017-002

Noncompliance

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations in the following funds:

Fund	Expenditures plus Encumbrances	Appropriations	Variance
General Fund-2016	\$23,403	\$13,891	(\$9,512)
General Fund-2017	33,805	13,891	(19,914)

**FINDING 2017-002
(Continued)**

Expenditures in excess of appropriations can result in overspending and deficit fund balances.

The Village should routinely compare actual expenditures to current appropriations and amend appropriations when needed.

FINDING 2017-003

Noncompliance/Finding for Recovery - Mayor's Court – Repaid Under Audit

Ohio Rev. Code § 1907.24(C), 2303.201(C), 2743.70 (A), 2949.091(A)-(B), and 3109.14 state that all moneys collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of the state.

Ohio Rev. Code § 2949.094(A) & (C) when read together, state the court in which any person is convicted of or pleads guilty to any moving violation shall impose an additional court cost of ten dollars upon the offender. If the person is convicted, pleads guilty, or forfeits bail, the clerk shall transmit thirty five percent of all additional court costs to the state treasury of which ninety-seven per cent shall be credited to the drug law enforcement fund and the remaining three per cent shall be credited to the justice program services fund, the clerk shall transmit fifteen percent of all additional costs to the county or municipal indigent drivers alcohol treatment fund under the control of that court. The Court shall transmit fifty percent of all additional costs to the state treasury to be credited to the indigent defense support fund. All costs should be transmitted to the appropriate entities by the twenty third day of the following month the costs were collected.

Ohio Rev. Code § 4513.263(B), (E) & (G) when read together, state that no person shall operate an automobile on any street or highway unless that person is wearing all of the available elements of a properly adjusted occupant restraining device, or operate a school bus that has an occupant restraining device installed for use in its operator's seat unless that person is wearing all of the available elements of the device, as properly adjusted, and that violators be fined thirty dollars. Fines collected for the violations of this section, or for violations of any ordinance or resolution of a political subdivision that is substantively comparable to that division, shall be forwarded to the treasurer of state for deposit into the state treasury.

Contrary to the above requirements the Mayor's Court collected fines totaling \$1,112 which had not been remitted to the Treasurer of State. Furthermore, distributions to the Treasurer of State were not made in a timely manner for one month in 2016 and seven months in 2017. These errors occurred because the Village did not properly record and monitor court receipts to ensure the proper remittances were made to the Treasurer of State. The Village owes \$1,112 to the State of Ohio Treasury:

- \$927.50 to the drug law enforcement fund;
- \$60.00 to the indigent defense support fund;
- \$72.00 to the victims of crime reparations fund; and,
- \$52.50 to the indigent alcohol treatment fund.

**FINDING NUMBER 2017-003
(Continued)**

In accordance with the foregoing facts and pursuant to Revised Code Section 117.28, a Finding for Recovery for public money that has been misappropriated is hereby issued against the Village of Higginsport Mayor's Court Agency Fund in the amount of \$1,112 and in favor of the State of Ohio Treasury's Drug Law Enforcement Fund, Indigent Defense Support Fund, Victims of Crime Reparations Fund, and Indigent Alcohol Treatment Fund in the amounts of \$927.50, \$60.00, \$72.00, and \$52.50, respectively.

The Village remitted \$1,112 via check number 25328 on October 24, 2018 to Treasurer State of Ohio.

FINDING 2017-004

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.

The following items were identified:

- The Village did not properly report the Mayor's Court receipts, disbursements, and fund balances in an Agency Fund in the 2016 and 2017 financial statements. For 2016, the Mayor's Court Agency Fund had Non-Operating cash receipts of \$9,333, Non-Operating cash disbursements of \$9,069, and Ending Fund Balance of \$264. For 2017, the Mayor's Court Agency Fund had Beginning Fund Balance of \$264, Non-Operating cash receipts of \$37,149, Non-Operating cash disbursements of \$35,201, and Ending Fund Balance of \$2,212.
- Special Assessments receipts totaling \$1,201 and \$385 in the Sewer Fund were incorrectly posted to Charges-for-Services receipts in 2017 and 2016, respectively.
- Intergovernmental receipts totaling \$6,378 in 2016 and \$6,327 in 2017 for Local Government Funds in the General Fund were incorrectly posted to Property and Other Local Taxes receipts.
- Homestead and Rollback receipts totaling \$1,710 in the General Fund and \$3,476 in the Special Revenue Funds were posted to Property and Other Local Taxes receipts rather than Intergovernmental receipts, and were posted at the net amount rather than gross in 2017.
- Homestead and Rollback receipts totaling \$891 in the General Fund and \$3,614 in the Special Revenue Funds were posted to Property and Other Local Taxes receipts rather than Intergovernmental receipts, and were posted at the net amount rather than gross in 2016.
- Intergovernmental receipts totaling \$12,406 in the Special Revenue Funds were incorrectly posted to Miscellaneous receipts in 2017.

**FINDING NUMBER 2017-004
(Continued)**

- Security of Persons and Property disbursements totaling \$2,477 in the General Fund were incorrectly posted to Contractual Services disbursements in the Sewer Fund in 2017.

The financial statements and accounting records have been adjusted for these errors, where applicable.

In addition to the adjustments listed above, we also identified the following additional misstatements that have not been adjusted:

- Real property tax receipts in the Special Revenue Funds were posted at the net amount rather than gross resulting in Property and Other Local Taxes receipts and General Government disbursements being understated by \$358, respectively, in 2017.
- Contractual Services disbursements totaling \$134 in the Special Revenue Funds were incorrectly posted to the Sewer Fund in 2017.
- Charges-for-Services receipts and Contractual Services disbursements in the Special Revenue Funds were understated by \$339, respectively, due to receipts from Brown County Rural Water Association being posted at the net amount rather than gross in 2016.
- Sewer billing Fees totaling \$339 in the Enterprise Fund were not recorded in the accounting system in 2016, resulting in an understatement of Charges-for-Services Revenue and cash fund balance.

The Village did not have procedures in place for effective monitoring of the Village's financial activity, and the accuracy of accounting and financial reporting. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation. The Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

FINDING 2017-005

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance related legal and contractual requirements and prepare financial statements required by 117-2-03 of the Administrative Code.

**FINDING NUMBER 2017-005
(Continued)**

The following conditions were identified in the Village's Mayor's Court for 2016 and 2017.

- Reconciliations of the bank account to the Court Lite accounting system were not prepared.
- Fine amounts listed in the Cashbook for 2016 and 2017 were not always properly posted to the other columns in the cashbook and monthly totals did not always calculate properly.
- Fine amounts charged for three receipts in 2016 and 2017 did not agree to the fine schedule.
- Collected fine amounts for six cases in 2016 and seven cases in 2017 did not trace to a citation.
- Cases for six fine amounts collected in 2016 and four fine amounts collected in 2017 did not trace to the docket.
- Receipts totaling \$205 for 2017 and \$150 for 2016 listed in the Court receipt ledger were not recorded in the Court Cashbook or deposited to the Village's bank account.
- The Village did not maintain accountability over all of the pre-numbered citations for 2016 and 2017.
- Dockets prior to the June 14, 2016 court date were not maintained.
- Mayor's court activity was accounted for in the Village's bank account. To provide better accountability over mayor's court activity a separate bank account should be established.
- Monthly reports of fines and monies collected were not formally approved by the Mayor, Village Council, or their designee.
- Receipt and disbursement activity for the court was incorrectly recorded in the General Fund and Mayor's Computer Fund rather than in an Agency Fund. The accompanying financial statements have been adjusted to reflect the receipt and disbursement of this money in the appropriate funds; see Finding 2017-004.

Failure to accurately maintain the Mayor's Court Cashbook, dockets, and citations reduces the accountability over the Court receipts and disbursements, and increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

Control procedures should be put into place to help assure that all Mayor's Court receipts and disbursements are properly accounted for. We recommend the implementation of the following controls:

**FINDING NUMBER 2017-005
(Continued)**

- The Village should use and maintain prenumbered citations to provide accountability over all fines;
- The Village should establish a Mayor's Court bank account to improve financial reporting and accountability over receipts and disbursements;
- All cash receipts should be recorded in the Court Lite accounting system, and the system cashbook balance should be reconciled to the bank balance monthly;
- A docket should be prepared and maintained for each court date;
- Fines amounts should be verified to the authorized fine schedule;
- Monthly Mayor's Court reports should receive a documented supervisory review.

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Noncompliance/Finding for Recovery - Christina Reed	Corrected	
2015-002	Significant posting and classification errors	Not Corrected	Reissued as Finding 2017-005
2015-003	Incomplete bank reconciliations	Partially Corrected	Reissued in the Management Letter
2015-004	Destruction of Records	Not Corrected	Reissued as Finding 2017-002

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VILLAGE OF HIGGINSPOORT

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 11, 2018**