



Mary Taylor, CPA
Auditor of State

VILLAGE OF HIGGINSPO
BROWN COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Higginsport
Brown County
204 Jackson Street
PO Box 121
Higginsport, Ohio 45131

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 22, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Higginsport
Brown County
204 Jackson Street
PO Box 121
Higginsport, Ohio 45131

To the Village Council:

We have audited the accompanying financial statements of the Village of Higginsport, Brown County, Ohio (the Village), as of and for the year ended December 31, 2007. 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.

Except as discussed in the following paragraph, 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.

The Village did not provide sufficient evidence supporting traffic citations issued by the Village police for the Mayor's Court during 2007, which are recorded as *unclassified receipts* in the Agency Fund and as a portion of *unclassified receipts* in the General Fund. Without a full accountability over the citations issued, we could not assure ourselves regarding the completeness of the Mayor's Court receipts or satisfy ourselves regarding the completeness of the receipts through other auditing procedures. Mayor's Court receipts represent 100% of the unclassified receipts recorded in the Agency Fund Type and accounted for 33% of total unclassified receipts collected by the Village's General Fund during 2007.

The accompanying financial statements present unclassified receipts and disbursements. Ohio Administrative Code 117-2-02(A) requires governments to classify receipt and disbursement transactions.

As of the date of this report, the Village owes \$28,977. The Village has established a payment plan with the Auditor of State.

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 year ended December 31, 2007 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, 2007, or its changes in financial position for the year then ended.

The Village did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705 for the year ended December 31, 2007. The basis of accounting prescribed by the Auditor of State requires the Village to report outstanding encumbrances at year end as budgetary expenditures. Accordingly, budgetary expenditures in Note 3 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances for the year ended December 31, 2007.

Also, in our opinion, except for omitting receipt and disbursement classifications and omitting the encumbrance amounts from its budgetary disclosure and except for such adjustments, if any, that would have been necessary had we been able to obtain sufficient evidence to support the amounts recorded as unclassified receipts in the Agency Fund and as unclassified receipts in the General Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Higginsport, Brown County, Ohio, as of December 31, 2007, and its combined unclassified 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 October 22, 2010, 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.

We conducted our audit to opine on the financial statements that collectively comprise the Village's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The script is cursive and fluid, with the first letter of each word being capitalized and larger than the others.

Mary Taylor, CPA
Auditor of State

October 22, 2010

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**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED
CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Total Unclassified Cash Receipts	\$56,269	\$82,405	\$138,674
Cash Disbursements:			
Total Unclassified Cash Disbursements	49,787	79,862	129,649
Excess of Unclassified Cash Receipts Over Unclassified Cash Disbursements	6,482	2,543	9,025
Fund Cash Balances, January 1	8,947	30,862	39,809
Fund Cash Balances, December 31	\$15,429	\$33,405	\$48,834

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

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED
CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Cash Receipts:			
Total Unclassified Cash Receipts	<u>\$2,994,073</u>	<u>\$20,433</u>	<u>\$3,014,506</u>
Cash Disbursements:			
Total Unclassified Cash Disbursements	<u>3,061,939</u>	<u>20,194</u>	<u>3,082,133</u>
Excess of Unclassified Cash Receipts Over/(Under) Unclassified Cash Disbursements	(67,866)	239	(67,627)
Fund Cash Balances, January 1	<u>86,860</u>	<u>313</u>	<u>87,173</u>
Fund Cash Balances, December 31	<u>\$18,994</u>	<u>\$552</u>	<u>\$19,546</u>

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

**VILLAGE OF HIGGINSPORT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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 Higginsport, Brown County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides police and fire protection, and limited waste and sewer service. The Village contracts with Brown County Rural Water to provide water for the residents.

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).

The Village did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of the Ohio Administrative Code Section 117-2-02(A). The Ohio Administrative Code requires classifying receipts and disbursements.

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

C. 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 Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Fire Levy Fund – This fund receives local taxes and contract for service monies used to pay for the costs associated with providing and maintaining fire apparatus, appliances, buildings or sites and fire and emergency services to the Village residents.

Police Levy Fund – This fund receives local taxes and intergovernmental revenue used to pay for the costs associated with police protection to the Village residents.

3. 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:

Waste Fund - This fund receives charges for services from residents to cover Rumpke service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Project Fund - This fund receives loan proceeds and intergovernmental grants to finance a sewer project plant.

4. Fiduciary Funds

Fiduciary funds include private agency funds. 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 the Mayor's Court Fund, which receives fines and costs from the Mayor's Court and distributes these funds to the appropriate entity, including payments to the Village General State of Ohio and Computer Fund.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Appropriations lapse at year end.

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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.

A summary of 2007 budgetary activity appears in Note 3.

E. 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 pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	2007
Total Demand deposits	\$68,380

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

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2007 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,000	\$56,269	(\$3,731)
Special Revenue	55,600	82,405	26,805
Enterprise	915,650	2,994,073	2,078,423
Total	\$1,031,250	\$3,132,747	\$2,101,497

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,775	\$49,787	\$11,988
Special Revenue	86,300	79,862	6,438
Enterprise	2,918,400	3,061,939	(143,539)
Total	\$3,066,475	\$3,191,588	(\$125,113)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street, Fire Levy, Computer, Fire Contract, Operating a Motor Vehicle while Intoxicating (OMVI), Water, and Sewer Project funds by \$2,429, \$1,745, \$1,620, \$103, \$50, \$117 and \$146,100, respectively for the year ended December 31, 2007.

Contrary to Ohio law, total appropriations exceeded total estimated resources in the Sewer Project Fund by \$1,914,347 for the year ended 2007. Appropriations exceeded estimated resources in the State Highway, Fire Levy, Police Levy, Sewer and Waste funds by \$257, \$2,196, \$3,002, \$2,600 and \$15,800 respectively at December 31, 2007.

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, 2007 was as follows:

	Principal	Interest Rate
Fire Truck Installment Loan - Citizens Bank	\$25,724	4.5%
OWDA Loan - Wastewater Planning	347,506	0.0%
OWDA Loan - Treatment Plant & Collection System	125,216	1.5%
Total	\$498,446	

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**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED
DECEMBER 31, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant Program	C-W-03-225-1	14.228	\$499,932
Appalachian Area Development	C-P-03-225-1	23.002	<u>300,000</u>
Total U.S. Department of Housing and Urban Development			<u>799,932</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			
Congressionally Mandated Projects	XP-00E20901-0	66.202	761,011
U.S. DEPARTMENT OF DEFENSE			
U.S. ARMY CORPS OF ENGINEERS			
Ohio Environmental Infrastructure Program Section 594 Program		12.XXX	<u>700,781</u>
Total			<u><u>\$2,261,724</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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 Higginsport
Brown County
204 Jackson Street
PO Box 121
Higginsport, Ohio 45131

To the Village Council:

We have audited the financial statements of Village of Higginsport, Brown County, Ohio (the Village), as of and for the year ended December 31, 2007, and have issued our report thereon dated October 22, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We qualified our report on the financial statements because of the omission of receipt and disbursement classifications required in Ohio Administrative Code, Section 117-2-02(A). We also qualified our opinion for the lack of evidential matter supporting traffic citations of the Agency fund type and that the Village did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705. We also disclosed that the Village has outstanding audit fees owed to the Auditor of State. Except for the lack of evidence supporting traffic citation receipts, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2007-002, and findings 2007-004 through 2007-006 described in the accompanying schedule of findings to be material weaknesses.

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. We consider finding 2007-003 described in the accompanying schedule of findings to be a significant deficiency.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 22, 2010.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001, 2007-002 and 2007-005 through 2007-010.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 22, 2010.

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



Mary Taylor, CPA
Auditor of State

October 22, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Village of Higginsport
Brown County
204 Jackson Street
PO Box 121
Higginsport, Ohio 45131

To the Village Council:

Compliance

We have audited the compliance of the Village of Higginsport, Brown County, Ohio (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal programs. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Higginsport complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2007. However, the results of our auditing procedures disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings list this instance as Finding 2007-011.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. The results of our tests disclosed an instance of deficiencies in internal control over compliance that we consider to be a material weakness, as described above, which is described in the accompanying schedule of findings as item 2007-011.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Village's management in a separate letter dated October 22, 2010.

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

We intend this report solely for the information and use of the Village Council and management, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 22, 2010

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant (14.228); Appalachian Area Development (23.002); EPA Congressionally Mandated Project (66.202); US Army Corp of Engineers Environmental Infrastructure Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2007-001

Noncompliance

Ohio Rev. Code, Section 733.28, requires the Village Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

The Village Police Department has a separate bank account. The activity of this account is not reflected in the Village's financial records or statements. Such activity should be included within the General Fund in order to conform to the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting.

Without the oversight of Village officials, the Police Department collected \$5,417 donations and other monies and deposited these funds into the bank account noted above. It also expended \$2,315 funds utilizing the above accounts without the use of purchase orders or approvals.

Failure to record all financial activity for the above mentioned fund could result in misappropriation of funds and inaccurate reporting of village activity.

All financial activity of the Village should be accurately presented in the Village's financial statements and reviewed by Council for reasonableness. The Village should request the above mentioned information from the Police Department.

We recommend all Police Department receipts and expenditures be accounted for on the Village's financial records. All accounting entries should be posted in chronological order and reflect year-to-date totals. The Police Department records should be reconciled with the bank activity and reviewed by a supervisor or the Village Fiscal Officer on a monthly basis.

FINDING NUMBER 2007-002

Noncompliance and Material Weakness

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Village's appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Fiscal Officer shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to the Village recording the appropriations, Ohio Revised Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

**FINDING NUMBER 2007-002
(Continued)**

During the audit period, the Village received \$124,422 on-behalf payments related to construction of a new sewer plant from the Ohio Water Development Authority (OWDA) Loan #4793 which was not posted to the Village records. Additionally, the Village received \$647,867 on-behalf payments related to the sewer project from the Ohio Public Works Commission (OPWC) Loan #CT50G which was not posted to the Village records.

Failure to properly recognize all debt related financial activities may result in misleading financial statements. Due care and proper posting can help demonstrate legal compliance, financial accountability, and provide management with information for decision making. The Village should review Auditor of State Bulletin 2000-008 which discusses proper recording of on-behalf payments. The accompanying financial statements include adjustments for these payments.

FINDING NUMBER 2007-003

Significant Deficiency

During the audit period, we noted that on June 8, 2007 the Village received and deposited State warrant #4126416 from Ohio Department of Development for \$10,000 for Community Development Block Grant Funds to cover administrative cost associated with the sewer project. On June 15, 2007, the bank withdrew the funds from the Village checking account due to a stop payment. The Village did not receive a subsequent payment, and the State fiscal department still shows the original warrant as being outstanding.

We recommend the Village contact the Ohio Department of Development to determine if the amount is still due the Village, and if so, pursue taking action to get this warrant reissued to the Village.

FINDING NUMBER 2007-004

Material Weakness

Good internal control procedures enable the Village to maintain accountability for assets. Control should be maintained of issued and unissued tickets by the Police Chief. Unissued ticket books should be stored in a secure location and a citation log should be maintained of ticket books issued to patrolmen indicating the ticket sequence of the book and the patrolman's name. All tickets that have been issued should be accounted for before the next book is issued.

The Police Department should also account for every ticket by keeping Part 4 (the back copy) of the traffic citations in a ticket file in numeric ticket order. Voided tickets should be maintained in this file with all four copies of the ticket attached. A ticket register should be maintained in ticket number order indicating the defendant's name and cross-referencing the ticket to the case number or transfer to another court. Maintaining numerical control of tickets will provide assurance that all cases in which a ticket is issued were processed correctly.

**FINDING NUMBER 2007-004
(Continued)**

The Police Chief failed to maintain a citation log and there was not a ticket file maintained with copies of all the tickets in numeric order. Review of the tickets in the case jackets did not provide accountability over all the traffic citations since there were gaps in the sequence of numbers of tickets found in the case jackets.

The purpose of a citation log is to maintain an independent record of all citations issued. Not maintaining an accurate log of tickets issued or a copy of the issued citations in numerical order, reduces the assurance that all citations or cases and their related fines court costs have been properly accounted for. Without this evidential matter, we were unable to obtain sufficient information regarding the disposition of numerous court cases in which citations were issued during the audit period. We could not assure ourselves regarding the validity of the Mayor's Court receipts and the Village's General Fund Fines. To help prevent recording errors and add assurance that all court cases have been documented, we recommend the Police Chief account for every citation issued by the police department on a citation log and maintain a copy of all citations issued and/or voided in a separate file in numerical order.

FINDING NUMBER 2007-005

Noncompliance and Material Weakness

Ohio Rev. Code, Section 733.28, requires the Village Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

The Village's Fiscal Officer did not maintain a receipt ledger or an appropriation ledger. The Village did not properly classify receipt and disbursement transactions. The Village was therefore unable to monitor compliance with its appropriation resolution. The Village was also unable to classify receipts by source or disbursements by purpose in their annual report, contrary to Ohio Rev. Code Section 117.38.

Ohio Admin. Code, Section 117-2-02(A) requires governments to maintain an accounting system and records sufficient 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.

Ohio Admin. Code, Section 117-2-02(D) states that accounting records that can help achieve these objectives include:

1. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
2. Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

**FINDING NUMBER 2007-005
(Continued)**

The Village did not maintain a receipt or appropriation ledger during the audit period and prepared their annual report with unclassified receipts and disbursements. The Village officer's Handbook provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

Several errors were noted and adjustments were made to the annual report to adjust for receipts posted to the incorrect fund or wrong amount. These errors included the following:

- The Village failed to post \$647,867 in on behalf of payments and corresponding receipts from Ohio Public Works Commission for work on the sewer project.
- The Village failed to post \$124,422 in on behalf of payments and corresponding receipts from Ohio Water Development Authority for work on the sewer project.
- Tax revenue received from the County Auditor was erroneously recorded at the net amount rather than gross. All tax revenue from the settlement sheets from the County Auditor should be posted at gross and also have the related expense posted. Additionally, the settlement amounts received were lumped with other sources of revenue in the cash book.

Failure to properly recognize all financial activities may result in misleading financial statements. Additionally, by recording tax revenue at the net amount, receipts and expenses are understated. Due care and proper posting can help demonstrate legal compliance, financial accountability, and to provide management with information for decision making. There should also be separate entries in the cash book for each source of revenue with each payee, account number and amount listed. The above adjustments for on behalf of payments were posted to the financial statements.

FINDING NUMBER 2007-006

Noncompliance and Material Weakness

Ohio Rev. Code, Section 5705.41 (D)(1), requires that no subdivision or taxing unit shall make any contract or give 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.

FINDING NUMBER 2007-006
(Continued)

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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or 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 Village.
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 Village 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.

The Village did not properly certify the availability of funds for purchase commitments for one hundred percent of expenditures tested for 2007 and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 Fiscal Officer 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 employees obtain the Fiscal Officer’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 Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2007-007

Noncompliance

Ohio Rev. Code, Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations as follows:

Fund	Appropriations	Expenditures	Variance
Street	\$ 20,200	\$ 22,629	\$ (2,429)
Fire Levy	45,000	47,827	(2,827)
Computer	0	1,620	(1,620)
Fire Contract	0	103	(103)
OMVI	0	50	(50)
Water	0	117	(117)

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. We recommend that the Village limit expenditures to the appropriated amount. The Fiscal Officer should deny any payments until Council has passed the necessary changes to the appropriation measure.

FINDING NUMBER 2007-008

Noncompliance

Ohio Admin. Code, Section 117-2-02(A) states that 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Village did not have adequate control procedures over the operation of the Mayor's Court. The following conditions, effects and recommendations relate to the Mayor's Court:

- The reconciling process is composed of taking the bank balances from which outstanding checks are subtracted, other adjustments considered (non sufficient fund fees and deposits in transit are examples) and the resulting amount should agree with the Mayor's Court's book/fund balances. The Mayor's Court Clerk did not maintain sufficient documentation of their monthly bank reconciliations. Certain bank charges, outstanding checks and deposits in transit were not documented as part of the reconciliation process. Failure to perform or document the complete reconciliation process can result in undetected errors or the misappropriation of funds. Reconciliations should be done monthly and documented in writing; this can be done utilizing the format as shown on the back of their monthly bank statement.
- The cashbook should be posted from the detail recorded in the receipt books. The daily deposit should correspond to transactions posted that day and check numbers should be indicated for all disbursements to enable the court to determine if items posted are in balance. The cashbook had the following deficiencies:

**FINDING NUMBER 2007-008
(Continued)**

- it did not identify which receipts were being distributed
- monthly distributions were not posted at all in cashbook
- there were no dates noted in the cashbook
- receipt numbers were not entered in the cashbook

Lack of a properly maintained cashbook makes reconciliations difficult, does not document details that are necessary for future court use and increases the probability that errors or misappropriation of funds will go undetected.

The mayor's court cashbook should contain the date, payee, ordinance section they are cited under, case/ticket number, receipt number, amount received and then a breakdown for the detailed amount of village and state monies. All transactions should be entered and then columns totaled at the end of the month to assist with determining amounts that should be remitted to the Village and State monthly. These remittances, along with check number, date and amount should be included in the cashbook.

- Duplicate receipts were only prepared for money paid in person or when requested. Not issuing receipts contribute to a lack of accountability and control over the recording of mayor's court activity. We recommend the individual collecting fine payments complete a pre-numbered receipt documenting the date, payee, ticket/case number, offense, amount, tender type and the defendant's name. These receipts should agree to the amount posted in the Court's computer system and to the amount deposited.
- Mayor's Courts are required by Ohio Law to maintain a docket of all proceedings heard by the court. A docket is an individual record of the proceedings of each court case and should be arranged by case number and include all relevant court activity. The Mayor's Court docket numbers were not maintained by case number, but instead by court date. Case numbers were assigned based on the prenumbered traffic citation number with a separate sequence maintained for misdemeanors and minor misdemeanors.

By not maintaining the dockets in numerical case number, it is difficult to trace from the citation to the docket and vice versa. In order to assist in documenting the completeness of the docket it is recommended case numbers be assigned in numerical order for each year. Often courts use a numbering sequence which had the year first and then used numbers in order, for example the cases would be numbered 2007-001, 2007-002, 2007-003 etc. We recommend using a numbering system such as this and referencing case numbers in the cashbook to provide an audit trail between the cashbook, citations and docket.

FINDING NUMBER 2007-009

Finding for Recovery Repaid Under Audit

Mr. Jerry Green, serves as Village Fiscal Officer and receives a salary of \$7,200 per year paid in monthly installments of \$600. We performed a comparison of the gross salary paid to Mr. Green to the gross salary authorized by the Village Council for fiscal years 2007. Mr. Green was paid \$9,200 for that period resulting in a \$2,000 overpayment. We identified check #20016 dated June 8, 2007 for \$2,000 issued to Mr. Green distributed as \$500 from each of the following funds: General Fund, Street Fund, State Highway Fund, and Permissive Motor Vehicle License Fund.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Jerry Green, Village Fiscal Officer, in the amount of \$2,000.00 and in favor of the Village of Higginsport's General Fund, Street Construction Fund, State Highway Fund, and Permissive Motor Vehicle License Fund in the amount of \$500 per fund.

A check dated July 28, 2010 for \$2,000 was received and deposited from Jerry Green to repay the amount of this finding for recovery.

FINDING NUMBER 2007-010

Noncompliance

Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue. Appropriations exceeded the total estimated revenue in the following funds during 2007:

Fund	Estimate Resources	Appropriations	Variance
State Highway	\$ 3,243	\$ 3,500	\$ (257)
Fire Levy	42,804	45,000	(2,196)
Police Levy	8,998	12,000	(3,002)
Sewer Project	985,653	2,900,000	(1,914,347)
Sewer	0	2,600	(2,600)
Waste	0	15,800	(15,800)

Since the appropriations exceed the total estimated resources for these funds, expenditures could be made where funds are not available. The Village should not appropriate funds that exceed the total estimated resources or review estimated resources to determine if an amended certificate needs to be filed.

3. FINDINGS FOR FEDERAL AWARDS

Congressionally Mandated Projects (Environmental Protection Agency)

FINDING NUMBER 2007-011

CFDA Title and Number	Congressionally Mandated Projects – CFDA# 66.202
Federal Award Number / Year	XP-00E20901 / 2007
Federal Agency	U.S. Environmental Protection Agency

Noncompliance / Material Weakness - Reporting

OMB Circular A102 states Federal agencies shall require grantees to use the SF-269, Financial Status Report-Long Form, or SF-269a, Financial Status Report-Short Form, to report the status of funds for all non-construction projects or programs. Federal agencies need not require the Financial Status Report when the SF-270, Request for Advance or Reimbursement, or SF-272, Report of Federal Cash Transactions, is determined to provide adequate information.

For the Congressionally Mandated Projects Grant, CFDA #66.202, the U.S. Environmental Protection Agency (EPA) does not require the SF-269 or SF-269a, rather they require recipients use the SF-270 & SF-272 for reporting.

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. See 31 C.F.R. Section 205.12(b)(5).

The grant agreement dated 2/8/07 between the U.S. Environmental Protection Agency states in the Programmatic Conditions Cash Draws, Section #4:

The recipient agrees to submit supporting documentation to the EPA Project Officer for review at the same time a request is made under the ASAP payment system for electronic funds transfer. The review of this supporting documentation will not impact the timing of the electronic funds transfer, but findings of the review may require the recipient to modify a subsequent request for reimbursement to adjust for any ineligible or unallowable costs noted.

The Village's grant is on a reimbursement basis therefore expenditures should be incurred prior to requesting the reimbursement. The Village requested reimbursement from the EPA using form SF-270 throughout the audit period prior to incurring the expenditures.

Date	Date Requested	Request date After Payment date	Amount
5/2/2007	5/1/2007	No	\$102,223
6/20/2007	6/15/2007	No	115,232.16
7/17/2007	6/19/2007	No	10,000.00
7/17/2007	no date	no date	140,593.00
8/12/2007	8/10/2007	No	62,468.50
9/4/2007	7/17/2007	No	53,446.24
Total			\$483,962

The Village should not request reimbursement prior to incurring the expenditures.

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

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC Section 2949.091(A)(1), Finding for Recovery due to Village not collecting proper court cost fee to be paid to State.	Yes	
2006-002	ORC Sections 121.22(C) and 149.43, minutes of Village Council did not contain all necessary information.	No	Partially corrected; Reissued in Management Letter
2006-003	OAC Sections 117-2-01(B), failure to present monthly financial reports to Village Council.	Yes	
2006-004	ORC Section 5705.10(H), waste fund had a negative fund balance at year-end.	Yes	
2006-005	ORC Section 5705.14 – 5705.16, transfer of funds from one enterprise fund to another without council resolution or ordinance	Yes	
2006-006	ORC Section 5705.41(B), failure to limit expenditures to appropriations.	No	Reissued as Finding 2007-006
2006-007	ORC Section 149.351, lack of documentation and support of various minutes, invoices, receipts, and withholding payment reports.	No	Partially corrected; Reissued in Management Letter
2006-008	ORC Section 733.28, Village did not maintain a receipts or appropriation ledger, and failure to prepare annual report with proper classifications.	No	Reissued as Finding 2007-005

Village of Higginsport
Brown County
Schedule of Prior Audit Findings
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2006-009	ORC Section 5705.39, appropriations exceeded total estimated revenue in various funds.	No	Not corrected; Reissued as Finding 2007-010
2006-010	ORC Section 5705.41(D)(1), failure to properly certify the availability of fund for purchase commitments.	No	Reissued as Finding 2007-006
2006-011	OAC Section 117-2-02(A), lack of a properly maintained cashbook for Mayor's Court operations.	No	Reissued as Finding 2007-008
2006-012	Material weakness in accountability of citation logs and ticket books.	No	Reissued as Finding 2007-004
2006-013	ORC Section 5705.36(A)(4), estimated receipts exceeded actual receipts in an amount that reduced available resources below the level of current appropriations in various funds.	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF HIGGINSPOUR

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
NOVEMBER 16, 2010**