



Dave Yost • Auditor of State

VILLAGE OF HIGHLAND
HIGHLAND COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

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

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Dave Yost
Auditor of State

December 30, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Highland, Highland County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. 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 noted below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

We were unable to obtain sufficient evidence to support the completeness of the Sewer Fund Charges for Services receipts comprising 100% of Charges for Services receipts for 2010 and 2009, which is 86.9% and 99.8% of total operating cash receipts in 2010 and 2009, respectively, in the Enterprise Fund Type, nor were we able to satisfy ourselves as to the completeness of these receipts by other auditing procedures.

Also, in our opinion, except for the effects of adjustments, if any, as might have been determined to be necessary had we been able to examine evidence supporting the Enterprise Fund Charges for Services receipts for 2010 and 2009, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Highland, Highland County, Ohio as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, 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.



Dave Yost
Auditor of State

December 30, 2011

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$6,084	\$0	\$6,084
Intergovernmental	23,309	12,114	35,423
Charges for Services	336	34	370
Fines, Licenses and Permits	231	1,900	2,131
Earnings on Investments	12	0	12
Miscellaneous	<u>1,770</u>	<u>0</u>	<u>1,770</u>
Total Cash Receipts	<u>31,742</u>	<u>14,048</u>	<u>45,790</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,980	0	4,980
Public Health Services	30	0	30
Leisure Time Activities	2,363	0	2,363
Basic Utility Service	3,219	0	3,219
General Government	19,104	25,728	44,832
Debt Service:			
Redemption of Principal	<u>1,950</u>	<u>0</u>	<u>1,950</u>
Total Cash Disbursements	<u>31,646</u>	<u>25,728</u>	<u>57,374</u>
Total Receipts Over/(Under) Disbursements	<u>96</u>	<u>(11,680)</u>	<u>(11,584)</u>
Fund Cash Balances, January 1	<u>7,223</u>	<u>46,828</u>	<u>54,051</u>
Fund Cash Balances, December 31	<u><u>\$7,319</u></u>	<u><u>\$35,148</u></u>	<u><u>\$42,467</u></u>

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$59,972
Fines, Licenses and Permits	75
Miscellaneous	8,901
	<u>68,948</u>
Total Operating Cash Receipts	<u>68,948</u>
Operating Cash Disbursements:	
General Government	127
	<u>127</u>
Total Operating Cash Disbursements	<u>127</u>
Operating Income/(Loss)	<u>68,821</u>
Non-Operating Cash Receipts:	
Property and Other Local Taxes	
Intergovernmental	
Special Assessments	14,674
Earnings on Investments	119
	<u>14,793</u>
Total Non-Operating Cash Receipts	<u>14,793</u>
Non-Operating Cash Disbursements:	
Capital Outlay	36,790
Redemption of Principal	15,913
Interest and Other Fiscal Charges	6,897
	<u>59,600</u>
Total Non-Operating Cash Disbursements	<u>59,600</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	24,014
Fund Cash Balances, January 1	<u>148,885</u>
Fund Cash Balances, December 31	<u>\$172,899</u>

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$6,264	\$0	\$6,264
Intergovernmental	23,468	11,913	35,381
Fines, Licenses and Permits	391	0	391
Earnings on Investments	70	50	120
Miscellaneous	3,217	24	3,241
 Total Cash Receipts	 33,410	 11,987	 45,397
Cash Disbursements:			
Current:			
Security of Persons and Property	14,609	780	15,389
Public Health Services	48	0	48
Leisure Time Activities	2,623	0	2,623
Basic Utility Service	4,213	2,043	6,256
General Government	26,204	10,341	36,545
Debt Service:			
Redemption of Principal	1,950	0	1,950
 Total Cash Disbursements	 49,647	 13,164	 62,811
 Total Receipts Over/(Under) Disbursements	 (16,237)	 (1,177)	 (17,414)
 Fund Cash Balances, January 1	 16,063	 48,006	 64,069
 Fund Cash Balances, December 31	 (\$174)	 \$46,829	 \$46,655

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$57,805
Fines, Licenses and Permits	\$75
Miscellaneous	<u>52,416</u>
Total Operating Cash Receipts	<u>110,296</u>
Operating Cash Disbursements:	
Security of Persons and Property	1,105
Basic Utility Services	4,924
Supplies and Materials	46,322
Other	<u>279,404</u>
Total Operating Cash Disbursements	<u>331,755</u>
Operating Income/(Loss)	<u>(221,459)</u>
Non-Operating Cash Receipts:	
Intergovernmental	179,750
Special Assessments	13,595
Earnings on Investments	128
Sale of Bonds	117,000
Other Debt Proceeds	<u>424,384</u>
Total Non-Operating Cash Receipts	<u>734,857</u>
Non-Operating Cash Disbursements:	
Capital Outlay	277,667
Redemption of Principal	189,069
Interest and Other Fiscal Charges	<u>5,846</u>
Total Non-Operating Cash Disbursements	<u>472,582</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	40,816
Fund Cash Balances, January 1	<u>115,466</u>
Fund Cash Balances, December 31	<u><u>\$156,282</u></u>

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes cash as assets. The Village deposits all available funds in a "Plus Checking" account at a local commercial bank.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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:

USDA/RD/OWDA Fund - This fund receives loan proceeds and grant proceeds to finance construction of a sewer plant.

ODOD Fund - This fund receives grant proceeds to finance construction of a sewer plant.

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. Equity in Pooled Deposits and Investments

The Village maintains a deposit 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:

	2010	2009
Total deposits	\$215,366	\$202,937

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,372	\$31,742	(\$4,630)
Special Revenue	11,737	14,048	2,311
Enterprise	68,765	83,741	14,976
Total	\$116,874	\$129,531	\$12,657

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,509	\$31,646	\$7,863
Special Revenue	58,370	25,728	32,642
Enterprise	178,200	59,728	118,472
Total	\$276,079	\$117,102	\$158,977

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,230	\$33,410	(\$21,820)
Special Revenue	15,230	11,987	(3,243)
Enterprise	771,987	845,153	73,166
Total	\$842,447	\$890,550	\$48,103

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,303	\$49,647	\$16,656
Special Revenue	47,292	13,164	34,128
Enterprise	79,277	804,337	(725,060)
Total	\$192,872	\$867,148	(\$674,276)

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWPC Storm Sewer Replacement	\$19,500	0.000%
OWDA Sewer Collection System	\$93,795	4.440%
OWDA New Wastewater Collection System	\$412,189	1.000%
Wastewater Collection System Special		
Assessment Bonds	<u>95,450</u>	4.375%
Total	<u>\$620,934</u>	

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

In 2007 the Ohio Water Development Authority (OWDA) approved up to \$532,000 in loan total to finance the construction of a gravity sewer collection system, force main and pump station, with wastewater treatment provided by the Village of Leesburg. As of December 31, 2010 \$355,081 had been drawn down on this loan, with \$178,286 principal retired by the 2009 OWDA New Wastewater Collection System Loan. As a result of this early repayment, OWDA adjusted the principal due down by an additional \$83,000 from the initial loan amount. This loan is to be repaid with revenues from the utility when it becomes operational. As of December 31, 2010 the loan has not been amortized, therefore, the future funding requirements for the retirement of this loan has not been included in the amortization schedule below.

In 2009, the Village obtained the OWDA New Wastewater Collection system loan to partially pay off the OWDA Sewer Collection System loan. The loan was originally obtained for \$424,384. The interest rate for the loan is 2%, over a 30 year period.

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Debt (Continued)

The Village's taxing authority collateralized the bonds.

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

Year Ending December 31:	OWDA Loan	General Obligation Bonds
2011	\$16,409	\$10,200
2012	16,409	10,600
2013	16,409	11,200
2014	16,409	11,600
2015	16,409	12,100
2016-2020	82,045	46,800
2021-2025	82,045	-
2026-2030	82,045	-
2031-2035	82,045	-
2036-2039	65,638	-
Total	\$475,863	\$102,500

6. Retirement Systems

The Village withheld and paid into the Social Security and Medicare System for the Village's employee and officials. The federal government prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Federal Government also prescribes contribution rates. For 2010 and 2009, Social Security and Medicare members contributed 6.2 and 1.45%, respectively, of their gross salaries and the Village contributed an amount equaling 6.2 and 1.45%, respectively, of participants' gross salaries. The Village has not paid all contributions required through December 31, 2010.

7. Risk Management

The Village has obtained commercial insurance for the following risks:

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

8. Compliance

Contrary to Ohio Law:

- Budgetary expenditures exceeded appropriation authority in the Enterprise Fund by \$725,060 during 2009.
- Appropriations exceeded actual resources in the General Fund during 2009 by \$9,849 and in the Street Maintenance Construction and Repair Fund during 2010 by \$11,024.
- Appropriations exceeded estimated resources in the Street Construction Maintenance and Repair Fund by \$11,115 in 2010.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Highland, Highland County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated December 30, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We qualified our opinion on the Enterprise Fund Type Charges for Services for 2010 and 2009 due to an inability to obtain sufficient evidence to support the completeness of Charges for Services receipts. Except as discussed in the preceding sentence, 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.

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 2010-001 and 2010-002 and described in the accompanying schedule of findings to be material weaknesses.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 30, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

December 30, 2011

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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<i>Finding Number</i>	2010-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Administrative Code Section 117-2-02(A) provides 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 related assets, document compliance with finance related legal and contractual requirements and prepare financial statements

The Village did not post the following transactions to the correct fund types or account classifications, and therefore, they were reported in an incorrect fund types or account classification, by material amounts, on the financial statements:

Year	Item	Amount	Correct Fund/ Classification	Fund/ Reported	Classification
2009	Sales Tax	\$20,792	General Fund/ Intergovernmental	General Fund/	Taxes
2010	Sales Tax	21,015	General Fund/ Intergovernmental	General Fund/	Taxes
2009	Proceeds of Debt	541,833	Enterprise Fund/ Proceeds of Debt	Enterprise Operating Receipts	Fund/ Cash
2009	Federal Grant Proceeds	179,750	Enterprise Fund/ Intergovernmental	Enterprise Operating Receipts	Fund/ Cash
2010	Gas taxes	681	Special Revenue/ intergovernmental	Special Revenue/ Taxes	
2009	Special Assessment Taxes	6,198	Enterprise Funds/ Special Assessment Taxes	Enterprise Funds/ Miscellaneous Receipts	
2009	Principal Payments	1,950	General Fund/ Principal Retirement	General Fund/ Capital Outlay	
2009	Principal Payments	193,433	Enterprise Fund/ Principal Retirement	Enterprise Fund/ Capital Outlay and Other Operating Disbursements	
2009	Personal Property Tax Exemption	1,071	General Fund/ Intergovernmental	General Fund/ Taxes	
2010	Personal Property Tax Exemption	684	General Fund/ Intergovernmental	General Fund/ Taxes	
2009	Real Estate Property Tax	13,494	General Fund/ Taxes	General Fund/ Intergovernmental	
2010	Real Estate Property Taxes	146	General Fund/ Taxes	General Fund/ Intergovernmental	

**FINDING NUMBER 2010-001
 (Continued)**

2009	Interest Expense on Debt	4,366	Enterprise Fund/Interest Expense	Enterprise Fund/Capital Outlay and Other operating disbursements
2010	Motor Vehicle and Gas Tax	3,595	Special Revenue Funds/ Intergovernmental	Special Revenue Funds/ Taxes
2009	Special Assessment Taxes	\$7,397	Special Revenue Funds/ Special Assessment Taxes	General Fund/ Taxes

The Village recorded audit adjustments in the Village's financial statements and accounting records to properly account for the above errors.

We also noted the following conditions related to the annual financial reports and accounting records:

- Annual financial reports were not properly completed and certain columns did not foot.
- Receipts and disbursements reported in the 2009 and 2010 annual reports did not always agree with the cash journal totals.
- The Sewer Construction Fund was reported as a governmental capital projects fund type instead of enterprise fund type.
- The 2009 annual report classified the activity of the Enterprise Funds as Capital Project Funds. However, the cash reconciliation summary classified only the Sewer Construction Fund as a Capital Project fund and the remaining funds as Enterprise Funds.
- The cashbook did not always foot.
- The receipt and appropriation ledgers did not tie to the cashbook for certain line items.

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

Failure to properly post and report transactions could result in material errors in the Village's financial statements and reduces the Village management's to monitor financial activity and to make sound decisions which effect the overall available cash position of the Village. Without proper reporting of the Village's financial position, the Council may overspend or improperly budget the Village's funds. Additionally, other users of the financial statements do not have an accurate representation of the financial position of the Village.

**FINDING NUMBER 2010-001
(Continued)**

To improve the accuracy of accounting and financial reporting, the Village should:

- Carefully review the instructions and headings on the report to ensure information is accurately classified;
- Review the Village chart of accounts defined in the Village Officers' Handbook (http://www.auditor.state.oh.us/services/lgs/publications/LocalGovernmentManualsHandbooks/village_officers_handbook.pdf) to assure that items are being posted to the correct funds and account codes;
- Ensure that all columns of the annual financial report foot and that total receipts and disbursement from each fund agree with the cash journal year to date totals.

We recommend the Village implement additional review procedures over the completeness and accuracy of financial information recorded in the accounting records and reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions. We also recommend that a member of the finance committee or Village Council review the reports for completeness and accuracy before the reports are filed.

<i>Finding Number</i>	2010-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Revised Code, § 149.351, states that, in part, "All records are property of the public office concerned and shall not 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 commission."

We noted the following conditions:

- The Village did not maintain all purchase orders.
- The Village did not maintain the invoice supporting the expenditure for four transactions tested.
- The Village did not maintain sewer deposit records books.
- Village sewer fee records were not complete.

We were unable to audit the sewer receipts to ensure completeness of the Sewer Fund charges for services receipts reported as part of the Enterprise Fund Type on the financial statements. These Sewer Fund charges for services comprise 100% of the total Enterprise Fund Type Charges for Services for both 2010 and 2009, which is 86.9% and 99.8% of total operating cash receipts in 2010 and 2009, respectively, in the Enterprise Fund Type. Village management indicated that utility records were either lost or destroyed during 2010. We were unable to obtain sufficient evidential matter regarding the Sewer Enterprise Fund's Charges for Services receipts or to perform alternative auditing procedures to ensure completeness over the applicable receipts.

Failure to maintain appropriate supporting records could result in material errors in the Village's financial statements, reduces the Village's ability to monitor financial activity, and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

**FINDING NUMBER 2010-002
 (Continued)**

We recommend that the Village take the following action to ensure that all records are maintained by the Village:

- Maintain purchase orders.
- Maintain invoices to support expenditures.
- Maintain a deposit records book.
- Develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location.
- Maintain a roster of households by address along with a corresponding account number and compare the list to the actual households to determine that all residents are being billed for sewer usage. A copy of the billing roster should be maintained in a separate place. This roster could be used as a backup in the event that utility records have been lost or destroyed.
- Issue sewer billing invoices with a duplicate copy; the customer should receive the top portion stamped paid, and the date, and the Village should maintain the bottom portion with the customer's name, amount due, and amount paid, also with the stamp paid and date.

<i>Finding Number</i>	2010-003
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NONCOMPLIANCE

Ohio Revised Code, Section 5705.36, states in part that, the total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation. Appropriations exceeded actual resources in the General Fund during 2009 by \$9,849 and in the Street Maintenance Construction and Repair Fund during 2010 by \$11,024.

We recommend that the Fiscal Officer periodically compare actual resources to the Appropriations to ensure that budgetary compliance is met.

<i>Finding Number</i>	2010-004
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NONCOMPLIANCE

Ohio Revised Code, 5705.39, states that, the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. Appropriations exceeded estimated resources in the Street Construction Maintenance and Repair Fund by \$11,115 in 2010.

We recommend that the fiscal officer compare the estimated resources to the appropriations to ensure budgetary compliance is met.

<i>Finding Number</i>	2010-005
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NONCOMPLIANCE

Ohio Revised Code, 5705.41(B), states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter. Expenditures exceeded appropriations in the State Highway fund by \$1,284 in 2010 and in the Enterprise Funds by \$725,060 in 2009.

The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

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

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**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	The Village lacked management oversight in the proper reporting of tax, intergovernmental receipts, proceeds of loans, capital outlay, and debt retirement on the financial statements.	No	Not Corrected
2008-002	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	N/A	Finding only valid in year new fund is required to be created
2008-003	Ohio Rev. Code, Section 5705.41(B) , states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter.	No	Not Corrected
2008-004	Ohio Rev. Code, Section 5705.41(D)(1), prior certification	No	Not Corrected reported in 2010 Management Letter
2008-005	The Village did not identify federal funds or prepare a federal schedule.	N/A	Finding no longer valid. Not a federal audit this audit period
2008-006	The Village did not maintain accounting records to support grant and loan transactions.	N/A	Finding no longer valid. Not a federal audit this audit period

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Dave Yost • Auditor of State

VILLAGE OF HIGHLAND

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 12, 2012