



**Auditor of State
Betty Montgomery**

VILLAGE OF HIGGINSPO
BROWN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Higginsport
Brown County
P.O. 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 years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that 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 Mayor's Court during 2002 and 2001, which are recorded as other non-operating receipts in the Agency Fund and as fines, licenses, and permits in the General Fund. Without a full accountability over the citations issued, we could not assure ourselves regarding the validity of the Mayor's Court receipts or satisfy ourselves regarding the validity of the receipts through other auditing procedures. Mayor's Court receipts represent 100% of the receipts recorded in the Agency Fund Type and accounted for 46% and 29% of total receipts collected by the Village's General Fund during 2002 and 2001, respectively.

The accompanying financial statements present certain receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amount recorded as other non-operating receipts in the Agency Fund and as fines, licenses, and permits in the General Fund, and except for the omission of certain receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and 2001, and its combined unclassified cash receipts and unclassified disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 29, 2003

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$7,310	\$18,093	\$25,403
Intergovernmental Receipts	10,549	18,113	28,662
Fines, Licenses, and Permits	18,829		18,829
Charges for Services		21,808	21,808
Unclassified	4,181	2,111	6,292
Total Cash Receipts	40,869	60,125	100,994
Cash Disbursements:			
Debt Service:			
Principal Payments		10,224	10,224
Interest Payments		3,138	3,138
Unclassified	46,744	42,731	89,475
Total Cash Disbursements	46,744	56,093	102,837
Total Receipts Over/(Under) Disbursements	(5,875)	4,032	(1,843)
Other Financing Receipts:			
Sale of Assets		3,000	3,000
Total Other Financing Receipts	0	3,000	3,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(5,875)	7,032	1,157
Fund Cash Balances, January 1	25,192	17,522	42,714
Fund Cash Balances, December 31	\$19,317	\$24,554	\$43,871

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

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$10,868	\$0	\$10,868
Total Operating Cash Receipts	10,868	0	10,868
Operating Cash Disbursements:			
Unclassified	39,907		39,907
Total Operating Cash Disbursements	39,907	0	39,907
Operating Income	(29,039)	0	(29,039)
Non-Operating Cash Receipts:			
Intergovernmental Receipts	16,500		16,500
Debt Proceeds	15,000		15,000
Other Non-Operating Receipts		20,899	20,899
Total Non-Operating Cash Receipts	31,500	20,899	52,399
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		18,537	18,537
Total Non-Operating Cash Disbursements	0	18,537	18,537
Net Receipts Over Disbursements	2,461	2,362	4,823
Fund Cash Balances, January 1	7,037	1,278	8,315
Fund Cash Balances, December 31	<u>9,498</u>	<u>3,640</u>	<u>13,138</u>

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

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$7,603	\$18,621	\$26,224
Intergovernmental Receipts	20,076	13,087	33,163
Fines, Licenses, and Permits	15,307	0	15,307
Charges for Services	0	16,106	16,106
Unclassified	10,405	1,892	12,297
	<u>53,391</u>	<u>49,706</u>	<u>103,097</u>
Cash Disbursements:			
Unclassified	46,417	124,623	171,040
	<u>46,417</u>	<u>124,623</u>	<u>171,040</u>
Total Receipts Over/(Under) Disbursements	<u>6,974</u>	<u>(74,917)</u>	<u>(67,943)</u>
Other Financing Receipts:			
Debt Proceeds	<u>0</u>	<u>57,000</u>	<u>57,000</u>
Total Other Financing Receipts	<u>0</u>	<u>57,000</u>	<u>57,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	6,974	(17,917)	(10,943)
Fund Cash Balances, January 1	<u>18,218</u>	<u>35,439</u>	<u>53,657</u>
Fund Cash Balances, December 31	<u><u>\$25,192</u></u>	<u><u>\$17,522</u></u>	<u><u>\$42,714</u></u>

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

**VILLAGE OF HIGGINSPORT
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$11,649	\$0	\$11,649
Total Operating Cash Receipts	11,649	0	11,649
Operating Cash Disbursements:			
Unclassified	21,332		21,332
Total Operating Cash Disbursements	21,332	0	21,332
Operating Loss	(9,683)	0	(9,683)
Non-Operating Cash Receipts:			
Debt Proceeds	10,000		10,000
Other Non-Operating Receipts		18,993	18,993
Total Non-Operating Cash Receipts	10,000	18,993	28,993
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		20,298	20,298
Total Non-Operating Cash Disbursements	0	20,298	20,298
Net Receipts Over/(Under) Disbursements	317	(1,305)	(988)
Fund Cash Balances, January 1	6,720	2,583	9,303
Fund Cash Balances, December 31	<u>\$7,037</u>	<u>\$1,278</u>	<u>\$8,315</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Higginsport, Brown County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides police and fire protection, life squad services, and sewer and garbage utilities. The Village contracts with Brown County Rural Water to provide water.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 certain receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash Deposits

Village funds (except for Mayor's Court) are pooled in a NOW checking account and certificates of deposit with a local commercial bank. Certificates of deposit are valued at cost. Mayor's Court funds are maintained in a separate NOW checking account.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from 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 HIGGINSPO
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Levy Fund - This fund receives local taxes and contract for services 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.

3. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Garbage Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Project Fund – This fund receives intergovernmental grants and loan proceeds to finance a wastewater treatment plant project.

4. Fiduciary Funds (Agency Fund)

Agency funds are used to account for resources held by the Village as an agent for other governmental units. The Village has only one agency fund, 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 Fund.

E. 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 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.

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.

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law; however, there were no material encumbrances outstanding at December 31, 2002 or 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH DEPOSITS

The Village maintains a cash deposits pool used by all funds except for Mayor's Court, which is maintained in a separate account. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash deposits at December 31 was as follows:

	2002	2001
Demand deposits	\$37,992	\$28,145
Certificates of deposit	\$15,377	\$21,606
Demand deposits- Mayor's Court	3,640	1,278
Total deposits	\$57,009	\$51,029

Deposits: Deposits are insured by the Federal Depository Insurance Corporation

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,451	\$40,869	(\$11,582)
Special Revenue	42,929	63,125	20,196
Enterprise	13,005	42,368	29,363
Total	\$108,385	\$146,362	\$37,977

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,300	\$46,744	\$4,556
Special Revenue	51,651	56,093	(4,442)
Enterprise	211,332	39,907	171,425
Total	\$314,283	\$142,744	\$171,539

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,092	\$53,391	\$18,299
Special Revenue	23,516	106,706	83,190
Enterprise	10,853	21,649	10,796
Total	\$69,461	\$181,746	\$112,285

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,324	\$46,417	(\$36,093)
Special Revenue	7,896	124,623	(116,727)
Enterprise	4,427	21,332	(16,905)
Total	\$22,647	\$192,372	(\$169,725)

Contrary to Ohio Law, budgetary expenditures exceeded appropriations in the Street, Fire, and Garbage Funds in 2002 and in the General, Street, State Highway, Permissive MVL, Fire, Police, Sewer, Sewer Project, and Garbage Funds in 2001.

Contrary to Ohio Law, appropriations exceeded estimated resources in the State Highway, Permissive MVL, Police, and Sewer Project Funds in 2002.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX (Continued)

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, 2002 was as follows:

	Principal	Interest Rate
Installment Note - Citizens Bank	\$46,831	5.50%
Ohio Water Development Authority Loan	25,000	0.00%
Total	\$71,831	

The Village borrowed \$57,000 from the Citizens Bank of Higginsport in 2001 to purchase a fire truck. The loan is being repaid in annual installments of \$13,362, including interest, from the fire levy tax money and fire contract money received from Lewis Township. The loan is collateralized by the fire truck.

The Village borrowed \$25,000 from the Ohio Water Development Authority (OWDA) Village Capital Improvement Fund (\$15,000 in 2002 and \$10,000 in 2001) to finance a feasibility study for a new wastewater treatment plant and collection system. The project is currently in the planning phase. The loan is to be repaid in annual installments of \$2,500 from sewer charges and intergovernmental grants. The loan is collateralized by sewer receipts.

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

	Installment Note- Citizens Bank	OWDA Loan	Total
Year ending December 31:			
2003	\$13,362	\$2,500	\$15,862
2004	13,362	2,500	\$15,862
2005	13,362	2,500	\$15,862
2006	13,362	2,500	\$15,862
2007		2,500	\$2,500
2008-2012		12,500	12,500
Total	\$53,448	\$25,000	\$78,448

In August of 2002, the Village also received approval from OWDA to borrow \$133,093 to finance the design phase of the new wastewater treatment plant and collection system project. As of December 31, 2002, the Village has not received any loan proceeds.

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEM

The Village's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contribute 8.5% of their wages. The Village contributes an amount equal to 13.55% of participants' gross salaries. As of December 31, 2002, the Village owes PERS \$297 for the employer contribution amount of salaries and wages paid in 2002.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Higginsport
Brown County
P.O. 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 years ended December 31, 2002 and 2001, and have issued our report thereon dated August 29, 2003, which was qualified for lack of supporting documentation for Mayor's Court receipts and disbursements recorded in the Agency Fund and fines recorded in the General Fund, and was qualified since the Village did not classify receipts and disbursements in its financial statements. Except as regards Mayor's Court receipts and disbursements and General Fund fines, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-003, and 2002-005 through 2002-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 29, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001, 2002-003, 2002-004, 2002-007, and 2002-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-001, 2002-004, and 2002-007 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 29, 2003.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 29, 2003

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village's fiscal officer did not properly 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 its 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 accounting 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. Per Ohio Admin. Code Section 117-2-02(C), 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 Village maintained a receipts ledger during the audit period; however, the ledger did not include estimated receipts, credit postings, and declining balances. The receipts ledger was also not totaled and did not utilize account classifications to facilitate preparation of the Village's annual financial report.
2. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The Village maintained an appropriation ledger during the audit period; however, the ledger did not include appropriations, encumbrances, and declining unencumbered appropriation balances. The appropriation ledger was also not totaled and did not utilize account classifications to facilitate preparation of the Village's annual financial report.

Ohio Admin. Code, Section 117-9-01, 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.

FINDING NUMBER 2002-002

Material Noncompliance

Ohio Rev. Code, Section 731.14, requires that when any expenditure, other than the compensation of persons employed therein, exceeds fifteen thousand dollars, such contracts shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the village.

The Village purchased a fire pumper truck in 2001 for \$90,611 and did not advertise for bids. We recommend that for expenditures in excess of \$15,000, the Village advertise for bids and award the contract to the lowest and best bidder.

FINDING NUMBER 2002-003

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), 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 Village Clerk. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars (which was increased to \$3,000 April 7, 2003), the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of Village Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for 100% of expenditures reviewed in 2001 and 2002. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2002-004

Material Weakness

The Police Chief failed to maintain a citation log. The purpose of a citation log is to maintain an independent record of all citations issued. Not maintaining a log of tickets issued, 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. Without a full accountability over the citations issued, we could not assure ourselves regarding the validity of the Mayor's Court receipts and disbursements and 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.

FINDING NUMBER 2002-005

Material Noncompliance

Ohio Rev. Code, Section 5705.39, provides that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. In 2001 and 2002, the Village failed to obtain the certificate from the County Auditor stating appropriations do not exceed estimated resources. Appropriations exceeded estimated resources for the year ended December 31, 2002 in the following funds:

Fund	Estimated Resources	Appropriations	Variance
State Highway	\$ 1,451	\$ 1,699	\$ (248)
Permissive Motor Vehicle	2,459	4,000	(1,541)
Police	8,558	11,000	(2,442)
Sewer Project	-	200,000	(200,000)

We recommend that the Village monitor appropriations versus estimated resources and refrain from appropriating in excess of available resources.

FINDING NUMBER 2002-006

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), prohibits expenditures in excess of appropriations. Expenditures exceeded appropriations, as follows:

Date	Fund	Appropriations	Expenditures	Variance
December 31, 2002	Street	\$ 7,752	\$ 11,125	\$ (3,373)
	Fire	27,200	35,344	(8,144)
	Garbage	10,199	11,621	(1,422)
December 31, 2001	General	10,324	46,417	(36,093)
	Street	1,551	7,807	(6,256)
	State Highway	710	1,699	(989)
	Permissive MVL	1,500	1,759	(259)
	Fire	2,500	99,826	(97,326)
	Police	1,550	13,532	(11,982)
	Sewer	375	1,413	(1,038)
	Sewer Project	-	10,000	(10,000)
	Garbage	4,052	9,919	(5,867)

The Clerk should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002-007

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 1905.21, requires the Mayor to account for and dispose of all fines, forfeitures, fees, and costs he collects. Contrary to this section, the Mayor's Court failed to properly post all receipts and disbursements during the audit period and maintain accountability over Mayor's Court money. We noted the following weaknesses:

- None of the disbursements from the Mayor's Court account were posted to the cash journal during 2001 or 2002.
- Two receipts in 2001 and one receipt in 2002 were not posted to the cash journal.
- Bad checks and related fees were not accounted for in the cash journal.
- Monthly and year-to-date totals and a running balance were not maintained.
- Monthly reconciliations between the Mayor's Court cash journal and the bank statements were not performed.

Failure to perform these procedures results in inaccurate financial records and does not provide for accountability over the disposition of fines, forfeitures, fees, and costs collected. We recommend the following procedures be implemented:

- Post all financial activity to the Mayor's Court cash journal, including receipts, disbursements, bad checks and related fees.
- Maintain monthly and year-to-date totals and a running cash balance.
- Perform monthly reconciliations between the Mayor's Court cash journal and the Mayor's Court bank account statements.

FINDING NUMBER 2002-008

Material Noncompliance/Finding for Recovery

Ohio Rev. Code, Sections 2743.70 and 2949.091, require all courts to collect and remit State Reparations costs and General Fund costs to the state on all offenses except a traffic offense that is not a moving violation. The Mayor's Court failed to remit to the State of Ohio all State reparations costs and State general fund costs collected during the audit period. As of December 31, 2002, the Village owes \$1,529 to the State reparations fund and \$1,251 to the State general fund.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money converted and misappropriated is hereby issued against the Village of Higginsport in the amount of \$2,780, and in favor of the State of Ohio reparations fund for \$1,529, and in favor of the State of Ohio general fund for \$1,251.

FINDING NUMBER 2002-009

Reportable Condition

We noted the following weaknesses in the Village's monitoring of financial activity:

- Monthly financial reports and monthly bank reconciliations were not documented as being presented to the Council for review and approval.
- Minute records did not properly document the approval of budgetary actions, including adoption of temporary and permanent appropriations and amendments to estimated receipts.
- Disbursements made were not documented as being reviewed or approved by Council.

Failure to present monthly financial reports to Village Council could result in transactions occurring without Council approval and does not provide for monitoring of budget versus actual status of receipts and disbursements. Failure of Village Council to formally approve all budgetary actions in the minutes does not provide for documentation of official approval. Failure of Village Council to review and approve disbursements could result in unauthorized transactions occurring or misappropriation of assets. We recommend the following procedures be implemented:

- The Clerk-Treasurer should present monthly financial reports and bank reconciliations to the Council for review and approval.
- Minutes should contain documentation of approval of all budgetary actions.
- Disbursements should be reviewed and approved by Council prior to disbursement.

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**VILLAGE OF HIGGINSPO
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30408-001	Ohio Rev. Code Section 5705.41(D) citation for not certifying funds available for expenditure and not properly encumbering	No	Not corrected- Reissued as 2002-003
2000-30408-002	Clerk overpaid \$627, contrary to Council resolution	Yes	Corrected
2000-30408-003	Ohio Rev. Code Section 2743.70 and 2949.091 citation and finding for recovery for not collecting State costs on Mayor's Court cases	Partially corrected	State costs were collected on all cases; however, amounts have not been remitted to the state – see Finding 2002-008.
2000-30408-004	Police Citation Log not maintained	No	Not corrected - Reissued as Finding 2002-004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF HIGGINSPORT

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
OCTOBER 9, 2003**