



Dave Yost • Auditor of State



VILLAGE OF HIGGINSPO  
BROWN COUNTY

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# Dave Yost • 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.

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

**Dave Yost**  
Auditor of State

April 7, 2011

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# Dave Yost • 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 years ended December 31, 2009 and 2008. 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.

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

The Village did not provide sufficient evidence supporting traffic citations issued by the Village police for the Mayor's Court during 2009 and 2008, 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 10% and 8% respectively of total unclassified receipts collected by the Village's General Fund during 2009 and 2008.

The Village did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705 for the years ended December 31, 2009 and 2008. 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.

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 years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, because of the effects of the matter referred to in paragraphs three through five, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Higginsport, Brown County, Ohio, as of December 31, 2009 and 2008, 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 April 7, 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

April 7, 2011



**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, 2009**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Unclassified Receipts	<u>\$45,805</u>	<u>\$182,669</u>	<u>\$228,474</u>
 Total Unclassified Cash Receipts	 <u>\$45,805</u>	 <u>\$182,669</u>	 <u>\$228,474</u>
<b>Cash Disbursements:</b>			
Unclassified Disbursements	<u>48,805</u>	<u>197,405</u>	<u>246,210</u>
 Total Unclassified Cash Disbursements	 <u>48,805</u>	 <u>197,405</u>	 <u>246,210</u>
Excess of Unclassified Cash Receipts Over Unclassified Cash Disbursements	(3,000)	(14,736)	(17,736)
Fund Cash Balances, January 1	<u>8,887</u>	<u>27,245</u>	<u>36,132</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$5,887</u></u></b>	<b><u><u>\$12,509</u></u></b>	<b><u><u>\$18,396</u></u></b>

*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, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Cash Receipts:</b>			
Unclassified Receipts	<u>\$85,693</u>	<u>\$4,376</u>	<u>\$90,069</u>
Total Unclassified Cash Receipts	<u>\$85,693</u>	<u>\$4,376</u>	<u>\$90,069</u>
<b>Cash Disbursements:</b>			
Unclassified Disbursements	<u>55,792</u>	<u>2,084</u>	<u>57,876</u>
Total Unclassified Cash Disbursements	<u>55,792</u>	<u>2,084</u>	<u>57,876</u>
Excess of Unclassified Cash Receipts Over/(Under) Unclassified Cash Disbursements	29,901	2,292	32,193
Fund Cash Balances, January 1	<u>9,644</u>	<u>107</u>	<u>9,751</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$39,545</u></u></b>	<b><u><u>\$2,399</u></u></b>	<b><u><u>\$41,944</u></u></b>

*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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Total Unclassified Cash Receipts	<u>\$85,020</u>	<u>\$79,447</u>	<u>\$138,674</u>
<b>Cash Disbursements:</b>			
Total Unclassified Cash Disbursements	<u>94,808</u>	<u>82,273</u>	<u>129,649</u>
Excess of Unclassified Cash Receipts Over Unclassified Cash Disbursements	(9,788)	(2,826)	(12,614)
Fund Cash Balances, January 1	<u>15,573</u>	<u>33,173</u>	<u>48,746</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$5,785</u></b>	<b><u>\$30,347</u></b>	<b><u>\$36,132</u></b>
Reserve for Encumbrances, December 31	<u>\$800</u>	<u>\$0</u>	<u>\$800</u>

*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, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Cash Receipts:</b>			
Total Unclassified Cash Receipts	<u>\$442,571</u>	<u>\$7,078</u>	<u>\$449,649</u>
<b>Cash Disbursements:</b>			
Total Unclassified Cash Disbursements	<u>452,010</u>	<u>7,523</u>	<u>459,533</u>
Excess of Unclassified Cash Receipts Over/(Under) Unclassified Cash Disbursements	(9,439)	(445)	(9,884)
Fund Cash Balances, January 1	<u>19,083</u>	<u>552</u>	<u>19,635</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$9,644</u></b>	<b><u>\$107</u></b>	<b><u>\$9,751</u></b>
Reserve for Encumbrances, December 31	<u>\$3,583</u>	<u>\$0</u>	<u>\$3,583</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, 2009 AND 2008**

**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 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:

**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(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.

**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:

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, 2009 AND 2008  
(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 2009 and 2008 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:

	2009	2008
Demand deposits	\$60,340	\$45,883

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,000	\$45,805	\$5,805
Special Revenue	47,000	182,669	135,669
Enterprise	72,000	85,693	13,693
Total	\$159,000	\$314,167	\$155,167

**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$30,716	\$48,805	(\$18,089)
Special Revenue	64,800	197,405	(132,605)
Enterprise	58,167	55,792	2,375
Total	<u>\$153,683</u>	<u>\$302,002</u>	<u>(\$148,319)</u>

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,000	\$85,020	\$35,020
Special Revenue	53,500	79,447	25,947
Enterprise	345,000	442,571	97,571
Total	<u>\$448,500</u>	<u>\$607,038</u>	<u>\$158,538</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,400	\$95,608	(\$30,208)
Special Revenue	72,700	82,273	(9,573)
Enterprise	354,233	455,593	(101,360)
Total	<u>\$492,333</u>	<u>\$633,474</u>	<u>(\$141,141)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund in 2009 and 2008 by \$18,089 and \$30,209, respectively, in the Fire Levy fund in 2009 by \$123,390 and in the Sewer Project fund in 2008 by \$99,826.

Contrary to Ohio law, total appropriations exceeded total estimated resources in 2009 in the Sewer Project Fund by \$10,056 and in the Fire Levy fund by \$768.

Contrary to Ohio law, the Village did not request a reduced amended certificate when the deficiency of revenue to be collected as compared to an official certificate was enough to reduce available resources below the level of current appropriations in the Sewer fund by \$10,744 at December 31, 2008.



**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(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, 2009 was as follows:

	Principal	Interest Rate
OPWC Loan - Wastewater Planning	\$463,349	0%
OWDA Loan - Treatment Plant & Collection System	190,980	1.50%
Total	\$654,329	

The Village borrowed \$73,971 from the Citizens Bank of Higginsport in 2005 for the remaining costs of a fire truck and to pay off the previous 2004 loan for the fire truck of \$54,312. The loan is to be repaid from fire levy tax money and fire contract money received from Lewis Township. This loan was paid in full with the final payment of \$26,813 being paid on January 14, 2008.

The Ohio Public Works Commission (OPWC) loan is for the new wastewater collection system. As of December 31, 2009, the Village had drawn the full amount of the approved \$463,349 principal. Repayment of this debt will not begin until January 1, 2010. At that time, an amortization schedule will be prepared. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loan is for the new wastewater collection system. As of December 31, 2009 an amortization schedule had not been prepared for the OWDA loan. Repayment of this debt will not begin until January 1, 2011. At that time, an amortization schedule will be prepared. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village borrowed \$26,000 from the Citizens Bank of Higginsport in 2008 for the cost of new playground equipment to be installed in the village park. The loan is to be repaid from a grant from the Ohio Department of Natural Resources and general operating money. This loan was paid in full with the final payment of \$3,633 being made on August 11, 2009.

**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**6. Retirement Systems**

The Village's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**7. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



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

To the Village Council:

We have audited the financial statements of the Village of Higginsport, Brown County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 7, 2011, 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 issued an adverse opinion on the financial statements due to the omission of receipt and disbursement classifications required by Ohio Administrative Code Section 117-2-02(A), the lack of evidential matter supporting traffic citations of the Agency fund type, and omission of the encumbrance method of accounting. 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 2009-01 through 2009-04 and 2009-06 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 2009-01, and findings 2009-03 through 2009-08.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 7, 2011.

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



**Dave Yost**  
Auditor of State

April 7, 2011

**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-01**

**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.

During 2008, the Village received \$115,843 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.

Additionally, the Village was charged capitalized interest totaling \$2,009 in 2008 and \$1,284 in 2009 on Loan #4793 through the Ohio Water Development Authority (OWDA) 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 2009-02**

**Material Weakness**

Good internal control procedures enable the Village to maintain accountability for assets, including traffic tickets by the Police Department. The Police Chief should store unissued ticket books in a secure location and maintain a citation log 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 ticked 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.

The Police Chief failed to maintain a citation log and copies of all the tickets issued. 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.

**FINDING NUMBER 2009-02  
(Continued)**

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 2009-03**

**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. Additionally, Ohio Revised Code Section 117.38 requires the Village's annual financial report to include the amount of collections and receipts, and accounts due from each source, and the amount of expenditures for each purpose. The Village was unable to classify receipts by source or disbursements by purpose in their annual report. 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.

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.

**FINDING NUMBER 2009-03  
(Continued)**

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 \$115,843 in on behalf of payments and corresponding receipts from Ohio Public Works Commission for work on the sewer project.
- The Village failed to post \$3,293 in capitalized interest charges on Ohio Water Development Authority sewer project loan #4793.
- 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.

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 2009-04**

**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.

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.

**FINDING NUMBER 2009-04  
 (Continued)**

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 2008 and 2009, 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.

Additionally, at December 31, 2008 we noted unrecorded encumbrances in the General Fund of \$800 and the Enterprise Fund of \$3,583 which have been adjusted in the Village financial statements.

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 2009-05**

**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:

Year	Fund	Appropriations	Expenditures	Variance
2008	General	\$ 65,400	\$ 95,609	\$ (30,209)
2008	Sewer Project	307,933	407,759	(99,826)
2009	General	30,716	48,805	(18,089)
2009	Fire Levy	47,800	171,190	(123,390)



**FINDING NUMBER 2009-05  
(Continued)**

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 2009-06**

**Noncompliance and Material Weakness**

**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 accounting operations of the Mayor's Court. The following conditions, effects and recommendations relate to the accounting system and records of 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. A cashbook was not maintained and provided for audit.

Lack of a properly maintained cashbook makes reconciliations difficult, omits 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 with the amount posted in the Court's computer system and to the amount deposited.

**FINDING NUMBER 2009-06  
 (Continued)**

- 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 pre-numbered 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 2009-001, 2009-002, 2009-003 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 2009-07**

**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 2009:

<b>Fund</b>	<b>Estimate Resources</b>	<b>Appropriations</b>	<b>Variance</b>
Fire Levy	\$47,032	\$47,800	(768)
Sewer Project	0	10,056	(10,056)

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.

**FINDING NUMBER 2009-08**

**Noncompliance**

**Ohio Rev. Code, Section 5705.36(A)(4)**, states that upon a determination by the fiscal officer of a subdivision that revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Village did not request reduced amended certificates as required during the audit period. The amount of the deficiency reduced available resources below the level of current appropriations as follows at December 31, 2008:

**FINDING NUMBER 2009-08  
 (Continued)**

Fund	Estimated Resources	Actual (Available) Resources	Appropriations	Variance (Approp in Excess of Avail Resources)
Sewer Project	\$307,933	\$280,853	\$307,933	(\$27,080)
Sewer	46,295	35,556	46,300	(10,744)

Allowing estimated receipts to exceed actual receipts resulted in appropriations in excess of available resources, and could result in negative fund balances.

The management of the Village should monitor estimated receipts to actual receipts and determine when amendments need to be made.

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

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**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2007-001	ORC Section 733.28, Village Police Department has a separate bank account not reflected in the Village's financial records.	Yes	
2007-002	ORC Section 5705.09(F), the Village received \$124,422 on-behalf payments related to sewer construction that was not posted to the financial records.	No	Reissued as Finding 2009-01
2007-003	Significant deficiency for having a warrant from the State of Ohio for \$10,000 which is shown as outstanding.	Yes	
2007-004	Material weakness in accountability of citation logs and ticket books.	No	Reissued as Finding 2009-02
2007-005	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 2009-03
2007-006	ORC Section 5705.41(D)(1), failure to properly certify the availability of funds for purchase commitments	No	Reissued as Finding 2009-04
2007-007	ORC Section 5705.41(B), failure to limit expenditures to appropriations.	No	Reissued as Finding 2009-05
2007-008	OAC Section 117-2-02(A), lack of a properly maintained cashbook for Mayor's Court operations.	No	Reissued as Finding 2009-06

Village of Higginsport  
 Brown County  
 Schedule of Prior Audit Findings  
 Page 2

2007-009	Finding for Recovery for overcompensation of the Fiscal Officer.	Yes	Repaid on July 28, 2010
2007-10	ORC Section 5705.39, appropriations exceeded total estimated revenue in various funds.	No	Reissued as Finding 2009-07
2007-11	OMB Circular A102, Village failed to incur expenditures related to the sewer construction project before requesting reimbursement from the EPA.	Yes	



# Dave Yost • Auditor of State

**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  
MAY 5, 2011**