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Certified Public Accountants, A.C.

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY  
Regular Audit**

**For the Years Ended December 31, 2014 and 2013**

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- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

Village Council  
Village of Highland  
PO Box 158  
Highland, OH 45132

We have reviewed the *Independent Auditor's Report* of the Village of Highland, Highland County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Highland is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 28, 2015

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VILLAGE OF HIGHLAND  
HIGHLAND COUNTY

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## INDEPENDENT AUDITOR'S REPORT

October 30, 2015

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the **Village of Highland**, Highland County, (the Village) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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Tax—Accounting — Audit — Review — Compilation — Agreed Upon Procedure — Consultation — Bookkeeping — Payroll  
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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Highland, Highland County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 5,365	\$ -	\$ 5,365
Intergovernmental	12,871	11,896	24,767
Charges for Services	1,770	-	1,770
Fines, Licenses and Permits	120	-	120
Earnings on Investments	26	-	26
Miscellaneous	4,693	-	4,693
<i>Total Cash Receipts</i>	<u>24,845</u>	<u>11,896</u>	<u>36,741</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	3,407	-	3,407
Leisure Time Activities	3,256	-	3,256
Transportation	-	12,051	12,051
General Government	13,324	-	13,324
Debt Service:			
Principal Retirement	1,950	-	1,950
<i>Total Cash Disbursements</i>	<u>21,937</u>	<u>12,051</u>	<u>33,988</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,908</u>	<u>(155)</u>	<u>2,753</u>
<b>Other Financing Receipts</b>			
Sale of Capital Assets	132	-	132
<i>Total Other Financing Receipts (Disbursements)</i>	<u>132</u>	<u>-</u>	<u>132</u>
<i>Net Change in Fund Cash Balances</i>	3,040	(155)	2,885
<i>Fund Cash Balances, January 1</i>	<u>1,960</u>	<u>31,976</u>	<u>33,936</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	31,821	31,821
Unassigned	5,000	-	5,000
<i>Fund Cash Balances, December 31</i>	<u>\$ 5,000</u>	<u>\$ 31,821</u>	<u>\$ 36,821</u>

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

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 88,909
<i>Total Operating Cash Receipts</i>	88,909
<b>Operating Cash Disbursements</b>	
Salaries	2,603
Supplies and Materials	8,113
Other	43,276
<i>Total Operating Cash Disbursements</i>	53,992
<i>Operating Income</i>	34,917
<b>Non-Operating (Disbursements)</b>	
Principal Retirement	(24,292)
Interest and Other Fiscal Charges	(6,677)
<i>Total Non-Operating Receipts (Disbursements)</i>	(30,969)
<i>Net Change in Fund Cash Balances</i>	3,948
<i>Fund Cash Balances, January 1</i>	95,915
<i>Fund Cash Balances, December 31</i>	\$ 99,863

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

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 5,621	\$ -	\$ 5,621
Intergovernmental	12,897	12,732	25,629
Charges for Services	696	-	696
Fines, Licenses and Permits	60	-	60
Earnings on Investments	26	-	26
Miscellaneous	2,906	-	2,906
	<u>22,206</u>	<u>12,732</u>	<u>34,938</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	3,637	4,933	8,570
Leisure Time Activities	5,060	-	5,060
Transportation	-	10,926	10,926
General Government	22,119	-	22,119
Debt Service:			
Principal Retirement	1,950	-	1,950
	<u>32,766</u>	<u>15,859</u>	<u>48,625</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,560)</u>	<u>(3,127)</u>	<u>(13,687)</u>
<b>Other Financing Receipts</b>			
Sale of Capital Assets	5,356	-	5,356
	<u>5,356</u>	<u>-</u>	<u>5,356</u>
<i>Total Other Financing Receipts</i>			
<i>Net Change in Fund Cash Balances</i>	(5,204)	(3,127)	(8,331)
<i>Fund Cash Balances, January 1</i>	<u>7,164</u>	<u>35,103</u>	<u>42,267</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	31,976	31,976
Assigned	1,335	-	1,335
Unassigned	625	-	625
	<u>\$ 1,960</u>	<u>\$ 31,976</u>	<u>\$ 33,936</u>
<i>Fund Cash Balances, December 31</i>			

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

**VILLAGE OF HIGHLAND, OHIO  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 92,512
<i>Total Operating Cash Receipts</i>	92,512
<b>Operating Cash Disbursements</b>	
Personal Services	1,078
Contractual Services	41,905
Supplies and Materials	1,315
<i>Total Operating Cash Disbursements</i>	44,298
<i>Operating Income</i>	48,214
<b>Non-Operating (Disbursements)</b>	
Principal Retirement	(23,766)
Interest and Other Fiscal Charges	(7,297)
<i>Total Non-Operating Receipts (Disbursements)</i>	(31,063)
<i>Net Change in Fund Cash Balances</i>	17,151
<i>Fund Cash Balances, January 1</i>	78,764
<i>Fund Cash Balances, December 31</i>	\$ 95,915

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

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental activities, 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

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 are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported 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 Fund:

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  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (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 Fund:

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

**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.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. 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 DEPOSITS**

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

	<b>2014</b>	<b>2013</b>
Demand deposits	\$ 136,684	\$ 129,851
Total deposits	\$ 136,684	\$ 129,851

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 18,500	\$ 24,977	\$ 6,477
Special Revenue	10,675	11,896	1,221
Enterprise	83,000	88,909	5,909
Total	\$ 112,175	\$ 125,782	\$ 13,607

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 28,109	\$ 21,937	\$ 6,172
Special Revenue	16,725	12,051	4,674
Enterprise	94,930	84,961	9,969
Total	\$ 139,764	\$ 118,949	\$ 20,815

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 42,585	\$ 27,562	\$ (15,023)
Special Revenue	11,200	12,732	1,532
Enterprise	90,000	92,512	2,512
Total	\$ 143,785	\$ 132,806	\$ (10,979)

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 33,390	\$ 32,766	\$ 624
Special Revenue	25,730	15,859	9,871
Enterprise	93,715	75,361	18,354
Total	\$ 152,835	\$ 123,986	\$ 28,849

**4. PROPERTY TAXES**

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

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, 2014 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #CO32C	\$ 12,675	0%
Ohio Water Development Authority Loan #5094	362,171	1%
Assessment Bonds	51,850	4.38%
Total	\$ 426,696	

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 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 1%, 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 the 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  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(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:	Bonds	OWDA Loan	OPWC Loan
2015	\$ 14,545	\$ 16,409	\$ 1,950
2016	14,557	16,409	1,950
2017	14,652	16,409	1,950
2018	14,565	16,409	1,950
2019	7,255	16,409	1,950
2020-2024	-	82,045	2,925
2025-2029	-	82,046	-
2030-2034	-	82,046	-
2035-2039	-	82,046	-
Total	<u>\$ 65,574</u>	<u>\$ 410,228</u>	<u>\$ 12,675</u>

**6. RETIREMENT SYSTEMS**

During 2013 and 2014, The Village withheld and paid into the Social Security System for the Village's Council Members. 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 2013, and 2014, 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 paid all contributions required through December 31, 2014.

During 2014 and 2013, the Village withheld and paid Ohio Public Employees Retirement System (OPERS) for the Village's employee and Fiscal Officer. 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 2014, 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, 2014.

**VILLAGE OF HIGHLAND  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Continued)**

**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.



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

October 30, 2015

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Highland**, Highland County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated October 30, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of audit findings to be a material weakness.

**...“bringing more to the table”**

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 30, 2015.

***Entity's Response to the Finding***

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

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

VILLAGE OF HIGHLAND  
HIGHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

**Material Weakness**

**Posting Receipts, Disbursements and Fund Balance Classification**

Receipts, disbursements and fund balances were not always classified correctly. During 2014 and 2013, several receipts and disbursements were not posted into the accurate receipt and disbursement classifications based on the source of the receipt or nature of the disbursement. The following posting errors were noted:

- Homestead and Rollback receipts were posted as Property & Other Local Taxes instead of Intergovernmental in 2014 and 2013 in the General Fund.
- Local Government Distributions were recorded as Property & Other Local Taxes rather than Intergovernmental in 2014 and 2013.
- In 2014 and 2013, park rental receipts were classified as Miscellaneous rather than Charges for Services.
- Debt payments were posted as Other Operating Cash Disbursements in the Sewer Fund instead of Principal Retirement and Interest and Other Fiscal Charges in 2014 and 2013.
- Under GASB 54, the Street Repair, State Highway and Permissive Motor Vehicle License Tax Funds were improperly classified as Unassigned rather than Restricted in 2013.
- Also under GASB 54, General Fund encumbrances were classified as Unassigned rather than Assigned.
- In 2014, an unallowable transfer occurred transferring funds from the Permissive Motor Vehicle License Tax Fund to the General Fund.

Not posting receipts and disbursements accurately or classifying fund balances accurately resulted in the financial statements requiring several reclassifications and adjustments. The Village has agreed with and posted all adjustments to its accounting system. The financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly classified on the financial statements.

We also recommend the Fiscal Officer refer to the Auditor of State Technical Bulletin 2011-004 for guidance to determine the proper fund balance classifications and the Village Handbook and Ohio Administrative Code for proper classification of receipts and disbursements.

**Management's Response** – "As the new Fiscal Officer for the Village of Highland, I have implemented the UAN System and in addition, I have tried to correct some of the posting issues from the prior year. With the UAN in place, this should cut down on the posting errors made due to manual entry."

VILLAGE OF HIGHLAND  
HIGHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Maintain accurate records of all accounting functions for the Village	No	Repeated as Finding 2014-001.

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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 7, 2016**