



Mary Taylor, CPA  
Auditor of State



VILLAGE OF HIGGINSPO  
BROWN COUNTY

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**Mary Taylor, CPA**  
Auditor of State

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

To the Village Council:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

February 26, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Higginsport, Brown County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Village did not provide sufficient evidence supporting traffic citations issued by the Village police for the Mayor's Court during 2006 and 2005, which are recorded as *other non-operating receipts* in the Agency Fund and as a portion of *finer, licenses and permits* 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 receipts recorded in the Agency Fund Type and accounted for 33% and 51% of total receipts collected by the Village's General Fund during 2006 and 2005, respectively.

Other than general government, redemption of principal and interest and fiscal charges, and 2005 capital outlay the accompanying financial statements present disbursements by fund type totals only. Ohio Administrative Code, Section 117-2-02(A), requires governments to classify disbursement transactions.

The Auditor of State has billed the Village for audit services provided for calendar years 2004, 2003, 2002 and 2001. As of the date of this report, the Village has been billed a total of \$26,350, of which they have paid \$12,076. The Village has established a payment plan with the Auditor of State for the remaining \$14,274.

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.

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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, 2006 and 2005 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, 2006, or its changes in financial position for the years then ended.

The Village did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705 for the years ended December 31, 2006 and 2005. The basis of accounting prescribed by the Auditor of State requires the Village to report outstanding encumbrances at year end as budgetary expenditures. Accordingly, budgetary expenditures in Note 3 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances for the years ended December 31, 2006 and 2005.

Also, in our opinion, except for omitting certain disbursement classifications and omitting the encumbrance amounts from its budgetary disclosure and except for such adjustments, if any, that would have been necessary had we been able to obtain sufficient evidence to support the amounts recorded as other non-operating receipts in the Agency Fund and as fines, licenses and permits in the General Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Higginsport, Brown County, Ohio, as of December 31, 2006 and 2005, 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 February 26, 2009, 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.



**Mary Taylor, CPA**  
Auditor of State

February 26, 2009

**VILLAGE OF HIGGINSPORT  
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, 2006**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 9,250	\$ 20,276	\$ 29,526
Intergovernmental	6,702	21,230	27,932
Charges for Services		29,204	29,204
Fines, Licenses and Permits	15,951	1,190	17,141
Unclassified Receipts	111	1,391	1,502
	<u>32,014</u>	<u>73,291</u>	<u>105,305</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	418	790	1,208
Redemption of Principal		23,580	23,580
Interest and Fiscal Charges		3,329	3,329
Unclassified Disbursements	41,186	41,010	82,196
	<u>41,604</u>	<u>68,709</u>	<u>110,313</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>(9,590)</u>	<u>4,582</u>	<u>(5,008)</u>
<b>Other Financing Receipts</b>			
Sale of Fixed Assets	11,000		11,000
	<u>11,000</u>	<u>0</u>	<u>11,000</u>
<b>Total Other Financing Receipts / (Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	1,410	4,582	5,992
Fund Cash Balances, January 1	<u>7,537</u>	<u>26,280</u>	<u>33,817</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 8,947</u></b>	<b><u>\$ 30,862</u></b>	<b><u>\$ 39,809</u></b>

*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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Intergovernmental	\$ 108,623		\$ 108,623
Charges for Services	12,425		12,425
Total Operating Cash Receipts	<u>121,048</u>	<u>0</u>	<u>121,048</u>
<b>Operating Cash Disbursements:</b>			
Unclassified Disbursements	<u>45,514</u>		<u>45,514</u>
Total Operating Cash Disbursements	<u>45,514</u>	<u>0</u>	<u>45,514</u>
Operating Income/(Loss)	<u>75,534</u>	<u>0</u>	<u>75,534</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts		17,178	17,178
Total Non-Operating Cash Receipts	<u>0</u>	<u>17,178</u>	<u>17,178</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements		17,818	17,818
Total Non-Operating Cash Disbursements	<u>0</u>	<u>17,818</u>	<u>17,818</u>
Net Receipts Over/(Under) Disbursements	75,534	(640)	74,894
Fund Cash Balances, January 1	<u>11,326</u>	<u>953</u>	<u>12,279</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 86,860</u></b>	<b><u>\$ 313</u></b>	<b><u>\$ 87,173</u></b>

*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, 2005**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 9,098	\$ 20,093	\$ 29,191
Intergovernmental	8,088	27,415	35,503
Charges for Services		27,467	27,467
Fines, Licenses and Permits	22,318		22,318
Unclassified Receipts	677	564	1,241
 Total Cash Receipts	 40,181	 75,539	 115,720
<b>Cash Disbursements:</b>			
Current:			
General Government	785	701	1,486
Redemption of Principal		54,312	54,312
Capital Outlay		19,589	19,589
Unclassified Disbursements	41,026	73,786	114,812
 Total Cash Disbursements	 41,811	 148,388	 190,199
 Total Receipts Over/(Under) Disbursements	 (1,630)	 (72,849)	 (74,479)
<b>Other Financing Receipts</b>			
Loan Proceeds		73,971	73,971
 Total Other Financing Receipts	 0	 73,971	 73,971
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	 (1,630)	 1,122	 (508)
 Fund Cash Balances, January 1	 9,167	 25,158	 34,325
 <b>Fund Cash Balances, December 31</b>	 <b>\$ 7,537</b>	 <b>\$ 26,280</b>	 <b>\$ 33,817</b>

*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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 12,300		\$ 12,300
Total Operating Cash Receipts	<u>12,300</u>	<u>0</u>	<u>12,300</u>
<b>Operating Cash Disbursements:</b>			
Unclassified Disbursements	<u>11,514</u>		<u>11,514</u>
Total Operating Cash Disbursements	<u>11,514</u>	<u>0</u>	<u>11,514</u>
Operating Income/(Loss)	<u>786</u>	<u>0</u>	<u>786</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts		<u>25,425</u>	<u>25,425</u>
Total Non-Operating Cash Receipts	<u>0</u>	<u>25,425</u>	<u>25,425</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	2,500		2,500
Other Non-Operating Cash Disbursements		<u>25,379</u>	<u>25,379</u>
Total Non-Operating Cash Disbursements	<u>2,500</u>	<u>25,379</u>	<u>27,879</u>
Net Receipts Over/(Under) Disbursements	(1,714)	46	(1,668)
Fund Cash Balances, January 1	<u>13,040</u>	<u>907</u>	<u>13,947</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 11,326</u></b>	<b><u>\$ 953</u></b>	<b><u>\$ 12,279</u></b>

*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, 2006 AND 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

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

The Village did not classify certain 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 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 that is restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

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

**2. Special Revenue Funds**

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

Street 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, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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

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

**3. Enterprise Funds**

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

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

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

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

**4. Fiduciary Funds**

Fiduciary funds include private agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court Fund, which receives fines and costs from the Mayor's Court and distributes these funds to the appropriate entity, including payments to the Village General 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, 2006 AND 2005  
(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 2006 and 2005 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:

	2006	2005
Total Demand deposits	\$126,982	\$46,096

**Deposits:** Of the Village's 2006 bank balance of \$126,982, \$100,000 was insured by the Federal Depository Insurance Corporation and the other \$26,982 was exposed to custodial risk because those deposits were uninsured and uncollateralized by the financial institution.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,000	\$43,014	(\$6,986)
Special Revenue	54,000	73,290	19,290
Enterprise	15,300	121,049	105,749
Total	\$119,300	\$237,353	\$118,053

**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,775	\$41,604	\$20,171
Special Revenue	81,900	68,710	13,190
Enterprise	147,200	45,514	101,686
Total	<u>\$290,875</u>	<u>\$155,828</u>	<u>\$135,047</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,000	\$40,181	(\$9,819)
Special Revenue	54,190	149,510	95,320
Enterprise	13,800	12,300	(1,500)
Total	<u>\$117,990</u>	<u>\$201,991</u>	<u>\$84,001</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,600	\$41,811	\$25,789
Special Revenue	80,700	148,388	(67,688)
Enterprise	116,650	14,014	102,636
Total	<u>\$264,950</u>	<u>\$204,213</u>	<u>\$60,737</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Police and Fire Levy funds by \$1,351 and \$802, respectively for the year ended December 31, 2006. Budgetary expenditures exceeded appropriations in the Police and Fire Levy funds by \$388 and \$88,494, respectively for the year ended December 31, 2005.

Contrary to Ohio law, the Village illegally transferred funds in the amount of \$2,224 from the Sewer to the Waste fund in 2006.

Contrary to Ohio law, total appropriations exceeded total estimated resources in the Sewer Project Fund by \$121,415 and \$88,915 respectively for the years ended 2006 and 2005. Appropriations exceeded estimated resources in the General, Street, Highway, Fire Levy, Police Levy, Sewer and Waste funds by \$4,401, \$1,060, \$113, \$438, \$79, \$32 and \$23 respectively at December 31, 2006. Appropriations exceeded estimated resources in the General, Street, Highway, Permissive MVL, Police Levy, Sewer and Waste funds by \$8,597, \$5,467, \$2,880, \$1,275, \$321, \$409, and \$1,288 respectively at December 31, 2005.

Contrary to Ohio law, estimated receipts exceeded actual receipts in the Sewer Fund for the year ended 2006. Estimated receipts exceeded actual receipts in the General, Permissive Motor Vehicle and License and in the Waste Funds for the years ended 2006 and 2005. The amount of deficiency reduced available resources below current appropriations by \$18,761 in the General, \$3,872 in the Permissive MVL, \$1,865 in the Sewer and \$2,910 in the Waste fund for the year ended 2006. The 2005 amount of deficiency reduced available resources below current appropriations for the year ended 2005 in the General, Permissive MVL, and Waste funds by \$27,419, \$4,145 and \$2,975 respectively.

**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio law, at December 31, 2006 and 2005, the Police fund had a cash deficit balance of \$1,547 and \$1,724 respectively. The Waste fund had a negative fund balance of \$2,043 at December 31, 2006.

**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, 2006 was as follows:

	Principal	Interest Rate
Fire Truck Installment Loan - Citizens Bank	\$50,391	4.5%
OWDA Loan - Wastewater Planning	17,500	0.0%
OWDA Loan - Treatment Plant & Collection System	133,093	0.0%
Total	\$200,984	

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 in two annual installments, including interest, of \$26,909 on January 26 of each year from fire levy tax money and fire contract money received from Lewis Township. The final payment of \$26,909 is due in 2008 and the loan is collateralized by the fire truck.

The Village borrowed \$25,000 from the Ohio Water Development Authority (OWDA) to finance a feasibility study for a new wastewater treatment plant and collection system. The loan is to be repaid in annual installments of \$25,000 on July 1 of each year for ten years from sewer charges and intergovernmental grants. A payment of \$2,500 was not made in 2006, however, no late charges were assessed and the entire outstanding loan balance of \$17,500 was paid on 07/23/07. Sewer receipts collateralize the loan.

**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. Debt (Continued)**

The Ohio Water Development Authority (OWDA) Treatment Plant and Collection System loan relates to a water and sewer plant project. The Village borrowed \$133,093 from the OWDA. The Village will repay the loan in semiannual installments of \$13,309 on January 1 and July 1 of each year for five years, beginning in 2007, from sewer charges and intergovernmental grants. The final payment is due July 1, 2011. The loan is collateralized by sewer receipts.

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

Year ending December 31:	Fire Truck Installment Loan - Citizens Bank	OWDA Loan - Wastewater Planning	OWDA Loan - Treatment Plant & Collection System	Total
2007	\$26,909	\$5,000	\$26,619	\$58,528
2008	26,813	2,500	26,619	55,932
2009		2,500	26,619	29,119
2010		2,500	26,618	29,118
2011		2,500	26,618	29,118
2012 - 2014		2,500		2,500
Total	<u>\$53,722</u>	<u>\$17,500</u>	<u>\$133,093</u>	<u>\$204,315</u>

**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 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**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.

**8. Compliance**

The Village did not maintain complete minute records. Village officials did not implement adequate internal controls. The Village did not retain certain records as required by law.



# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Higginsport, Brown County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated February 26, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We qualified our report on the financial statements because they present disbursements by fund type totals only. Ohio Administrative Code, Section 117-2-02(A), requires governments to classify disbursement transactions. We also qualified our opinion for the lack of evidential matter supporting traffic citations of the Agency fund type and that the Village did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705. We also disclosed that the Village has outstanding audit fees owed to the Auditor of State. Except for the lack of evidence supporting traffic citation receipts, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: Significant deficiencies are described in the accompanying schedule of findings as 2006-002, 2006-003, 2006-007, 2006-008 and 2006-010 through 2006-012.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-008, 2006-010 through 2006-012 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated February 26, 2009.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-011, and 2006-013.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 26, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

February 26, 2009

**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Finding For Recovery**

**Ohio Rev. Code, Section 2949.091(A) (1)**, states that the court, in which any person is convicted of or pleads guilty to any offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

Prior to September 26, 2003, the court costs noted above were \$11; however, they were raised to \$15 as a result of House Bill 95. The Mayor's Court was not aware the court costs had increased and did not raise the court fees.

From January 1, 2005 to December 31, 2007, the Mayor's Court had 506 cases in which it collected and paid to the Treasurer of State of Ohio the \$11 fee. Based on the change House Bill 95 made to Ohio Rev. Code Section 2949.091 (A)(1), the Mayor's Court should have collected an additional \$2,024 that is due to the State of Ohio to be deposited by the Treasurer of State into the General Revenue Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against the former Mayor James M. Adams in the amount of \$2,024 and in favor of the State of Ohio, General Revenue Fund.

**FINDING NUMBER 2006-002**

**Noncompliance and Significant Deficiency**

**Ohio Rev. Code, Sections 121.22(C) and 149.43**, when read together impose a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection.

The minutes are the official records of actions taken by Village Council and as such need to have sufficient detail to document their actions for record in the future. The minutes of Village Council did not contain the following details:

- Actual meeting dates were not noted in the minutes, just the month and year were used in 20 out of 28 meetings during 2005 and 2006.
- Minutes were not maintained in a hard bound, pre-numbered minute book, but instead were printed on individual sheets of paper and kept in a folder. Using a bound book with pre-numbered pages would provide better accountability and completeness of records.
- The Ordinances/Resolutions of the Village were not maintained as part of the minutes, but kept in a separate folder, which was not provided as part of the audit. At times the minutes just listed approval of a resolution number, but failed to include any details or description identifying what the resolution dealt with.

**FINDING NUMBER 2006-002  
(Continued)**

- There were references to various Village personnel and visitors during a meeting and the minute record only contained the individuals first name and not their last. This made it difficult to determine who was being referenced.
- Approval of all budgetary actions was not noted.
- A list all bids received and acceptance of bid was not always noted.
- Awarding of contracts was not always noted.
- Council does not receive budgetary reports, bank reconciliations or receipt detail at the meetings. They only receive fund balances and a listing of the bills.
- Approval or notice of allocation of Fiscal Officer's salary from various funds was not noted.
- The increase in waste rates for businesses was not approved in the minutes in 2006.
- Approval of interfund transfers was not noted.

Without complete and accurate minute records, the intent of the Village Council is not clearly documented. Also, by not maintaining complete and accurate minute records in a permanent bound book with pre-numbered pages, records could be lost or have additional documents added after the fact, which were not meant to be part of the official record.

We recommend all official actions of Council, including approving financial reports, awarding contracts, all budgetary actions, transfers, and advances should be approved in the minutes. Also, it is recommended that the minute proceedings be maintained in a bound book with pre-numbered pages.

**FINDING NUMBER 2006-003**

**Noncompliance and Significant Deficiency**

**Ohio Admin. Code, Section 117-2-01**, states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

**Ohio Admin. Code, Section 117-2-01(B)**, states that "internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: reliability of financial reporting; effectiveness and efficiency of operations; compliance with applicable laws and regulations; and safeguarding of assets.

Village Council was being presented with a listing of bills for approval for payment and fund balances at each monthly Council meeting however they were not receiving detailed financial reports monthly. Also, monthly bank reconciliations were not documented as being presented to the Council for review and approval.

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. We recommend the Fiscal Officer present to the Council monthly for their review and approval:

**FINDING NUMBER 2006-003  
(Continued)**

- financial reports including receipts and disbursements
- budgeted receipts and disbursements
- bank reconciliations
- list of bills denoting the vendor name, amount and appropriation code from which they are approving payment.

**FINDING NUMBER 2006-004**

**Noncompliance**

**Ohio Rev. Code, Section 5705.10(H)**, provides that money paid into any fund shall be used only for the purpose for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Police fund had negative fund balances at yearend of \$1,547 and \$1,724 respectively in 2006 and 2005. The waste fund had a negative fund balance of \$2,043 at the end of 2006.

Failure to monitor budgetary activity can result in overspending and negative fund balances. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the fiscal officer provide budgetary reports as least quarterly to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

**FINDING NUMBER 2006-005**

**Noncompliance**

**Ohio Rev. Code, Sections 5705.14, 5705.15 and 5705.16**, provide guidelines pertaining to allowable inter-fund transfers. Except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution is required).

Generally, before an inter-fund transfer can be made from an Enterprise Fund, a resolution of the taxing authority of the political subdivision shall be passed by a two thirds vote of the governing board and such taxing authority shall prepare a petition to be presented to the tax commissioner and to the Court of Common Pleas of the County, requesting approval of said transfers.

In 2006, the Sewer Fund had transfers to the Waste Fund in the amount of \$2,224, but did not obtain approval from council by resolution or ordinance. In addition, transfers made from one enterprise fund to another enterprise fund must acquire a court order for such transfer. Additionally, approval of any transfers or advances should be noted in the minutes.

**FINDING NUMBER 2006-006**

**Noncompliance**

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

<b>Fund</b>	<b>Year</b>	<b>Approp.</b>	<b>Expenditures</b>	<b>Variance</b>
Police	2006	\$ 9,600	\$ 10,951	\$ (1,351)
Fire Levy	2006	43,000	43,802	(802)
Police	2005	10,500	10,888	(388)
Fire Levy	2005	36,000	124,494	(88,494)

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 2006-007**

**Noncompliance and Significant Deficiency**

**Ohio Rev. Code, Section 149.351**, provides a general prohibition against the destruction or damage of public records. Ohio Rev. Code, Section 149.351(A), states, in pertinent part, all records are the property of the public office and shall not be mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code.

We noted the following conditions:

- 2006 and 2005 Council Minute Resolutions could not be located.
- 2006 and 2005 IT 501 state forms used for calculation of OH tax paid were not provided.
- 2006 and 2005 941 federal forms used for calculation of federal tax paid were not provided.
- One nonpayroll expenditure, totaling \$57, out of sixty tested during the audit period, did not have supporting documents attached to the voucher package and no support could be located.
- An additional eight nonpayroll expenditures, totaling \$49,614, out of sixty tested during the audit period did not have supporting documents attached to the voucher package, however the support was provided at a later date.
- Documentation for two receipts, totaling \$26,300, did not have any supporting documentation other than the deposit ticket.

To help improve accountability over expenditures, we recommend the Village ensure that invoices are attached to voucher packages as supporting documentation. Invoices should be matched to items received or services completed to verify goods or services were received before payment is issued.

## FINDING NUMBER 2006-008

### Noncompliance and Material Weakness

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

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

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

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

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

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

Several 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 the \$73,971 loan proceeds and corresponding disbursements for the renewal of the fire truck loan in 2005.
- 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. The above adjustments were posted to the financial statements.

**FINDING NUMBER 2006-009**

**Noncompliance**

**Ohio Rev. Code, Section 5705.39**, states that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from as certified by the county budget commission. Appropriations exceeded the total estimated revenue as follows:

<b>Fund</b>	<b>Year</b>	<b>Estimated Res.</b>	<b>Appropriations</b>	<b>Variance</b>
General	2006	\$57,374	\$61,775	\$(4,401)
Street	2006	19,140	20,200	(1,060)
State Highway	2006	3,387	3,500	(113)
Fire Levy	2006	42,562	43,000	(438)
Police Levy	2006	9,521	9,600	(79)
Sewer Project	2006	8,585	130,000	(121,415)
Sewer	2006	2,568	2600	(32)
Waste	2006	14,577	14,600	(23)
General	2005	59,003	67,600	(8,597)
Street	2005	17,033	22,500	(5,467)
State Highway	2005	2,820	5,700	(2,880)
Permissive MVL	2005	4,725	6,000	(1,275)
Police Levy	2005	10,179	10,500	(321)
Sewer Project	2005	11,085	100,000	(88,915)
Sewer	2005	1,841	2,250	(409)
Waste	2005	13,112	14,400	(1,288)

Failure to comply with the above Ohio Revised Code Section resulted in the Village appropriating more funds than they expected to have available. This practice could result in negative fund balances due to spending more funds than are available. We recommend the Village compare estimated revenue per the amended certificate with appropriations before making any modifications to these official documents.

**FINDING NUMBER 2006-010**

**Noncompliance and Material Weakness**

**Ohio Rev. Code, Section 5705.41(D)(1)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2006-009**  
**(Continued)**

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds for purchase commitments for one hundred percent of expenditures tested, for 2006 and 2005 and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

## FINDING NUMBER 2006-011

### 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 operation of the Mayor's Court. The following conditions, effects and recommendations relate to the Mayor's Court:

- The reconciling process is composed of taking the bank balances from which outstanding checks are subtracted, other adjustments considered (non sufficient fund fees and deposits in transit are examples) and the resulting amount should agree with the Mayor's Court's book/fund balances. The Mayor's Court Clerk did not maintain sufficient documentation of their monthly bank reconciliations. Certain bank charges, outstanding checks and deposits in transit were not documented as part of the reconciliation process. Failure to perform or document the complete reconciliation process can result in undetected errors or the misappropriation of funds. Reconciliations should be done monthly and documented in writing; this can be done utilizing the format as shown on the back of their monthly bank statement.
- The cashbook should be posted from the detail recorded in the receipt books. The daily deposit should correspond to transactions posted that day and check numbers should be indicated for all disbursements to enable the court to determine if items posted are in balance. The cashbook had the following deficiencies:
  - it did not identify which receipts were being distributed
  - monthly distributions were not posted at all in cashbook
  - there were no dates noted in the cashbook
  - receipt numbers were not entered in the cashbook

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

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

- Duplicate receipts were only prepared for money paid in person or when requested. Not issuing receipts contribute to a lack of accountability and control over the recording of mayor's court activity. We recommend the individual collecting fine payments complete a pre-numbered receipt documenting the date, payee, ticket/case number, offense, amount, tender type and the defendant's name. These receipts should agree to the amount posted in the Court's computer system and to the amount deposited.

**FINDING NUMBER 2006-011  
(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 prenumbered traffic citation number with a separate sequence maintained for misdemeanors and minor misdemeanors.

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

**FINDING NUMBER 2006-012**

**Material Weakness**

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

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

A citation log was maintained by the Mayor's Court Clerk, however it is not complete. Duplicate ticket numbers and gaps in sequence were noted. There was not a ticket file maintained with copies of all the tickets in numeric order. Review of the tickets found in the case jackets did not provide accountability over all the traffic citations since there were gaps in the sequence of numbers of tickets found in the case jackets.

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

**FINDING NUMBER 2006-013**

**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.

During 2006 estimated receipts exceeded actual receipts in the General Fund by \$6,986, in the Permissive Motor Vehicle and License Fund by \$372, in the Sewer Fund by \$65 and in the Waste Fund by \$2,810. Also estimated receipts exceeded actual receipts during 2005 in the General Fund by \$9,819, in the Permissive Motor Vehicle and License Fund by \$245, and in the Waste Fund by \$1,575. The amount of the deficiency reduced available resources below the level of current appropriations as follows:

Fund	Estimated Resources	Actual (Available) Resources	Appropriations	Variance (Appropriations in Excess of Available Resources)
2006 General	\$ 50,000	\$ 43,014	\$ 61,775	\$ 18,761
2006 Permissive MVL	2,100	1,728	5,600	3,872
2006 Sewer	800	735	2,600	1,865
2006 Waste	14,500	11,690	14,600	2,910
2005 General	50,000	40,181	67,600	27,419
2005 Permissive MVL	2,100	1,855	6,000	4,145
2005 Waste	13,000	11,425	14,400	2,975

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.**

**VILLAGE OF HIGGINSPO  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

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>
2004-001	ORC Section 733.28, failure to properly maintain receipt and appropriation ledgers and classify receipts and disbursements	No	Not Corrected. Reissued as Finding 2006-008
2004-002	ORC Section 5705.41(D), failure to properly certify the availability of funds	No	Not Corrected. Reissued as Finding 2006-010
2004-003	ORC Sections 2743.70 and 2949.091, failure to remit to the State of Ohio monies collected for state general fund and Victims of Crime revenue	No.	Partially corrected. Reissued as Management Letter compliance issue #10
2004-004	ORC 5705.39, appropriations exceeding estimated revenue	No	Not Corrected. Reissued as Finding 2006-009
2004-005	ORC 5705.41B, expenditures exceeding appropriations	No	Not Corrected. Reissued as Finding 2006-006
2004-006	Inadequate controls over police citations	No	Not Corrected. Reissued as Finding 2006-012
2004-007	Inadequate controls over Mayor's Court records	No	Not Corrected. Reissued as Finding 2006-011
2004-008	Lack of financial monitoring	No	Not Corrected. Reissued as Finding 2006-003





Mary Taylor, CPA  
Auditor of State

VILLAGE OF HIGGINSPOORT

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  
MARCH 17, 2009