



**Auditor of State
Betty Montgomery**

VILLAGE OF HIGHLAND
HIGHLAND COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 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 opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 12, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Highland, Highland County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Highland, Highland County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2005, 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.



Betty Montgomery
Auditor of State

December 12, 2005

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$7,607	\$0	\$0	\$7,607
Intergovernmental Receipts	29,188	11,592		40,780
Earnings on Investments	91			91
Miscellaneous	3,471			3,471
	<u>40,357</u>	<u>11,592</u>	<u>0</u>	<u>51,949</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	3,609			3,609
Public Health Services	368			368
Leisure Time Activities	2,590			2,590
Basic Utility Services	3,122			3,122
Transportation	0	4,249		4,249
General Government	14,823			14,823
Debt Service:				
Principal Payments	4,450			4,450
Capital Outlay			42,866	42,866
	<u>28,962</u>	<u>4,249</u>	<u>42,866</u>	<u>76,077</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>11,395</u>	<u>7,343</u>	<u>(42,866)</u>	<u>(24,128)</u>
Other Financing Receipts :				
OWDA Loan			42,311	42,311
	<u>0</u>	<u>0</u>	<u>42,311</u>	<u>42,311</u>
Total Other Financing Receipts				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	11,395	7,343	(555)	18,183
Fund Cash Balances, January 1	<u>1,424</u>	<u>28,291</u>	<u>2,055</u>	<u>31,770</u>
Fund Cash Balances, December 31	<u>\$12,819</u>	<u>\$35,634</u>	<u>\$1,500</u>	<u>\$49,953</u>

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$7,618	\$0	\$0	\$7,618
Intergovernmental Receipts	25,520	10,852		36,372
Earnings on Investments	33			33
Miscellaneous	2,140			2,140
	<u>35,311</u>	<u>10,852</u>	<u>0</u>	<u>46,163</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	14,721			14,721
Public Health Services	351			351
Leisure Time Activities	3,823			3,823
Basic Utility Services	2,061			2,061
Transportation	0	8,272		8,272
General Government	14,123			14,123
Debt Service:				
Principal Payments	4,450			4,450
Capital Outlay			370	370
	<u>39,529</u>	<u>8,272</u>	<u>370</u>	<u>48,171</u>
Total Cash Disbursements				
Excess of Cash Receipts Over/(Under) Cash Disbursements	(4,218)	2,580	(370)	(2,008)
Fund Cash Balances, January 1	5,642	25,711	2,425	33,778
Fund Cash Balances, December 31	<u>\$1,424</u>	<u>\$28,291</u>	<u>\$2,055</u>	<u>\$31,770</u>

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Highland, Highland County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services including street maintenance.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Deposits

The Village deposits all available funds in a "Public Funds Now" checking account at a local commercial bank.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Permissive Motor Vehicle License Tax Fund - This fund receives proceeds the permissive tax levied by Highland County on motor vehicle license for street maintenance and repairs.

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following capital project fund

OWDA Sewer Project Fund - This fund receives money from an Ohio Water Development Authority (OWDA) loan for construction of a sewer system for village residents.

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. 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.

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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. There were no encumbrances outstanding at December 31, 2004 or 2003.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$49,953</u>	<u>\$31,770</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 ad 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,530	\$40,357	\$6,827
Special Revenue	10,926	11,592	666
Capital Projects	86,500	42,311	(44,189)
Total	\$130,956	\$94,260	(\$36,696)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,405	\$28,962	\$8,443
Special Revenue	34,600	4,249	30,351
Capital Projects	12,055	42,866	(30,811)
Total	\$84,060	\$76,077	\$7,983

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,275	\$35,311	(\$68,964)
Special Revenue	23,747	10,852	(12,895)
Capital Projects	12,400	0	(12,400)
Total	\$140,422	\$46,163	(\$94,259)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,490	\$39,529	\$40,961
Special Revenue	26,600	8,272	18,328
Capital Projects	12,400	370	12,030
Total	\$119,490	\$48,171	\$71,319

The Village did not obtain prior certification of the fiscal officer for all purchases, nor were all commitments properly encumbered as required by Ohio law. Also, expenditures in the Capital Projects Fund exceeded appropriation authority contrary to Ohio law.

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Rate</u>
Ohio Public Works Commission Sewer Replacement Loan	\$31,200	0.00%
Ohio Water Development Authority Wastewater System Planning Loan	\$15,000	0.00%
Ohio Water Development Authority Wastewater Planning Loan	42,789	5.56%
Total	<u><u>\$88,989</u></u>	

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

In 2001 the Ohio Water Development Authority (OWDA) approved up to \$25,000 in loans to conduct a feasibility study for a new Wastewater Treatment Plant that was mandated by the Ohio Environmental Protection Agency. As of December 31, 2004 only \$20,000 was drawn down on this loan. The scheduled payment amount below assumes that only the \$20,000 will be borrowed and repaid over an 8 year time period, in annual installments of \$2,500.

In 2004 the Ohio Water Development Authority (OWDA) approved up to \$86,500 in loans to finance the planning activities for construction of a gravity sewer collection system, force main and pump station, with wastewater treatment provided by the Village of Leesburg. As of December 31, 2004 only \$42,311 had been drawn down on this loan. This loan has not been amortized at December 31 2004, therefore, the future funding requirements for the retirement of this loan has not been included in the amortization schedule below. The loan is to be repaid in a five year period with revenues from the utility when it becomes operational.

Amortization of the above debt is scheduled as follows:

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

	OPWC Loan	OWDA Loan
Year ending December 31:		
2005	\$1,950	\$2,500
2006	1,950	2,500
2007	1,950	2,500
2008	1,950	2,500
2009	1,950	2,500
2010-2014	9,750	2,500
2015-2020	11,700	
Total	<u>\$31,200</u>	<u>\$15,000</u>

6. RETIREMENT SYSTEMS

In 2004, the Village's part time employee belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, the OPERS member contributed 8.5 percent of his wages. The Village contributed an amount equal to 13.55 percent of the participant's gross salary.

The elected officials were not PERS members in 2003 or 2004, nor did they contribute to the Social Security System. The part time employee in 2003 was not a PERS member.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles
- Inland Marine

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Highland, Highland County, Ohio (the Village), as of and for the year ended December 31, 2004 and 2003, and have issued our report thereon dated December 12, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001, 2004-002, and 2004-004. In a separate letter to the Village's management dated December 12, 2005, we also reported other matters involving internal control over financial reporting we did not deem reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the Village's management dated December 12, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 12, 2005

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 5705.36(A)(4), requires that a reduced amended certificate be obtained if the amount of the estimated receipts exceeding actual receipts will reduce available resources below the current level of appropriation. During 2003, the Village had estimated receipts exceeding actual receipts that reduced available resources below the level of appropriation in the following funds:

Fund	Beginning Balance Plus Actual Receipts	Appropriations	Variance
General Fund	\$ 40,953	\$ 80,490	(\$ 39,537)
OWDA Sewer Fund	2,425	12,400	(9,975)

Estimated receipts also exceeded actual receipts by significant amount in the Street Construction, Maintenance and Repair Fund in 2003, and in the General Fund and OWDA Sewer Project Fund in 2004. The excess did not reduce available resources below appropriations in these funds.

Village officials should monitor estimated and actual receipts during the year, and request amended certificates when they see that actual receipts are not going to be as much as estimated. If the short fall in receipts will reduce available resources below the amount appropriated, Council action to reduce appropriations will also be necessary.

FINDING NUMBER 2004-002

Noncompliance Citation / Reportable Condition

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

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

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2004-002
(Continued)**

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

Contrary to the above requirement, the availability of funds was not certified during 2003 and 2004, and encumbrances were not posted in the appropriation ledger. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk’s certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Revised Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. For the year 2004, appropriations made by Council to the OPWC Sewer Project Fund were \$12,055 and expenditures were \$42,866. An amended certificate was obtained to increase the total resources available for appropriation in the amount of \$86,500, but a Council resolution increasing the appropriations was not documented in the minute records.

FINDING NUMBER 2004-004

Reportable Condition

Annual Financial Reports

The annual financial reports were not accurately prepared. We found the following problems with the reports:

- The reports were not properly or completely filled out
- Some columns did not foot to the total shown
- The General Fund total receipts and disbursements reported did not agree with the cash book

**FINDING NUMBER 2004-004
(Continued)**

- The 1-31-04 fund balances were reported as the beginning balances on the 2004 report
- The OWDA Sewer Project was reported as a Debt Service Fund type, instead of a Capital Projects Fund type
- The amount of the OWDA draw downs made during 2004 were reported as the balances of the Capital Projects Funds at 1-1-04 and 12-31-04
- Local government, 10,000 personal property exemption, public utilities reimbursements, and estate tax distributions were improperly reported as Taxes, instead of Intergovernmental Receipts, in 2003 and/or 2004
- Interest earned on the checking account was improperly reported as Miscellaneous Receipts, instead of Earnings on Investments.

It is important that the annual financial reports fairly and accurately present the Village's financial activity. The annual financial report figures may be used to make important financial decisions and planning. The Clerk should carefully review the instructions and the headings on the annual report to assure information is properly reported, and assure that all columns of the report foot. We also recommend that someone else, perhaps the Mayor or Council Members, review the reports for completeness and accuracy before the reports are filed.

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**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Revised Code, Section 5705.41(D) - prior certification not always obtained for purchase commitments	No	Not corrected – repeated as 2004-02
2002-002	Ohio Revised Code, Section 5705.41(B) – expenditures exceeded appropriations	No	Not corrected – repeated as 2004-03



**Auditor of State
Betty Montgomery**

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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
DECEMBER 30, 2005**