



Dave Yost • Auditor of State

VILLAGE OF HIGGINSPO
BROWN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Higginsport
Brown County
204 Jackson Street
Higginsport, Ohio 45131

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Higginsport, Brown County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Higginsport, Brown County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 3, 2017

Village of Higginsport, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$5,873	\$23,501	\$29,374
Intergovernmental	6,058	73,593	79,651
Charges for Services		31,792	31,792
Fines, Licenses and Permits	256		256
Earnings on Investments	126		126
Miscellaneous	3,023	17,727	20,750
<i>Total Cash Receipts</i>	<u>15,336</u>	<u>146,613</u>	<u>161,949</u>
Cash Disbursements			
Current:			
Security of Persons and Property	3,764	107,591	111,355
Basic Utility Services	297		297
Transportation		498	498
General Government	5,562		5,562
<i>Total Cash Disbursements</i>	<u>9,623</u>	<u>108,089</u>	<u>117,712</u>
<i>Net Change in Fund Cash Balances</i>	5,713	38,524	44,237
<i>Fund Cash Balances, January 1</i>	<u>11,968</u>	<u>164,177</u>	<u>176,145</u>
Fund Cash Balances, December 31			
Restricted		202,701	202,701
Assigned	12,957		12,957
Unassigned (Deficit)	4,724		4,724
<i>Fund Cash Balances, December 31</i>	<u>\$17,681</u>	<u>\$202,701</u>	<u>\$220,382</u>

Village of Higginsport, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
Proprietary Fund Type - Enterprise
For the Year Ended December 31, 2015

Operating Cash Receipts	
Charges for Services	\$96,799
Miscellaneous	50
	<u> </u>
<i>Total Operating Cash Receipts</i>	<u>96,849</u>
 Operating Cash Disbursements	
Personal Services	14,741
Employee Fringe Benefits	2,616
Contractual Services	10,185
Supplies and Materials	32,744
Other	2,071
	<u> </u>
<i>Total Operating Cash Disbursements</i>	<u>62,357</u>
 <i>Operating Income (Loss)</i>	 <u>34,492</u>
 Non-Operating Receipts (Disbursements)	
Special Assessments	5,749
Principal Retirement	(21,296)
Interest and Other Fiscal Charges	(2,532)
	<u> </u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(18,079)</u>
 <i>Net Change in Fund Cash Balances</i>	 16,413
 <i>Fund Cash Balances, January 1</i>	 <u>35,446</u>
 <i>Fund Cash Balances, December 31</i>	 <u><u>\$51,859</u></u>

Village of Higginsport, Ohio*Brown County**Combined Statement of Receipts, Disbursements**and Changes in Fund Balances (Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2014*

	General	Special Revenue	Totals (Memorandum Only)
	<u> </u>	<u> </u>	<u> </u>
Cash Receipts			
Property and Other Local Taxes	\$5,214	\$21,544	\$26,758
Intergovernmental	4,495	16,517	21,012
Charges for Services		30,100	30,100
Earnings on Investments	85		85
Miscellaneous	2,840	11	2,851
	<u> </u>	<u> </u>	<u> </u>
<i>Total Cash Receipts</i>	<u>12,634</u>	<u>68,172</u>	<u>80,806</u>
Cash Disbursements			
Current:			
Security of Persons and Property	3,636	17,266	\$20,902
Basic Utility Services	286		\$286
Transportation		2,089	\$2,089
General Government	6,864		\$6,864
	<u> </u>	<u> </u>	<u> </u>
<i>Total Cash Disbursements</i>	<u>10,786</u>	<u>19,355</u>	<u>30,141</u>
<i>Net Change in Fund Cash Balances</i>	1,848	48,817	50,665
<i>Fund Cash Balances, January 1</i>	<u>10,120</u>	<u>115,360</u>	<u>125,480</u>
Fund Cash Balances, December 31			
Restricted	0	164,177	164,177
Assigned	11,968	0	11,968
Unassigned (Deficit)	0	0	0
	<u> </u>	<u> </u>	<u> </u>
<i>Fund Cash Balances, December 31</i>	<u>\$11,968</u>	<u>\$164,177</u>	<u>\$176,145</u>

Village of Higginsport, Ohio
Brown County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
Proprietary Fund Type - Enterprise
For the Year Ended December 31, 2014

Operating Cash Receipts	
Charges for Services	\$85,897
	<hr/>
<i>Total Operating Cash Receipts</i>	<i>85,897</i>
	<hr/>
Operating Cash Disbursements	
Personal Services	15,453
Employee Fringe Benefits	2,514
Contractual Services	9,007
Supplies and Materials	25,137
Other	2,271
	<hr/>
<i>Total Operating Cash Disbursements</i>	<i>54,382</i>
	<hr/>
<i>Operating Income (Loss)</i>	<i>31,515</i>
	<hr/>
Non-Operating Receipts (Disbursements)	
Special Assessments	6,621
Principal Retirement	(21,209)
Interest and Other Fiscal Charges	(2,642)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(17,230)</i>
	<hr/>
<i>Net Change in Fund Cash Balances</i>	<i>14,285</i>
	<hr/>
<i>Fund Cash Balances, January 1</i>	<i>21,161</i>
	<hr/>
<i>Fund Cash Balances, December 31</i>	<i>\$35,446</i>
	<hr/> <hr/>

Village of Higginsport, Ohio
Brown County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 - Reporting Entity

The Village of Higginsport (the Village), Brown County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, fire services, and police services. The Village contracted with the Brown County Sheriff's department to provide security of persons and property in 2014. The Village reinstated their Police Department in 2015. The Village contracts with Brown County Rural Water to provide water utilities. The Village contracts with Lewis Township to provide fire services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for enterprise fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Fire Protection Fund – The fire protection fund accounts for local taxes and contract for service monies used to pay for the cost associated with providing and maintaining fire apparatus, appliances, building, or sites, and fire and emergency services to the Village residents.

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

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Village of Higginsport, Ohio
Brown County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

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 encumber all commitments required by Ohio Law.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Fund Balance

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

Village of Higginsport, Ohio
Brown County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Village did not have any nonspendable fund balances at December 31, 2015 or 2014.

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The Village did not have any committed fund balances at December 31, 2015 or 2014.

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,594	\$15,336	\$4,742
Special Revenue	66,699	146,613	79,914
Enterprise	82,870	102,598	19,728
Total	\$160,163	\$264,547	\$104,384

Village of Higginsport, Ohio
Brown County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)

Note 3 - Budgetary Activity (Continued)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$23,561	\$9,623	\$13,938
Special Revenue	231,776	108,089	123,687
Enterprise	127,446	86,185	41,261
Total	\$382,783	\$203,897	\$178,886

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,761	\$12,634	\$873
Special Revenue	67,400	68,172	772
Enterprise	83,000	92,518	9,518
Total	\$162,161	\$173,324	\$11,163

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$21,881	\$10,786	\$11,095
Special Revenue	182,760	19,355	163,405
Enterprise	104,161	78,233	25,928
Total	\$308,802	\$108,374	\$200,428

Note 4 – Deposits and Investments

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

	2015	2014
Demand deposits	\$272,241	\$211,591

Deposits

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

Village of Higginsport, Ohio
Brown County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 6 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has not paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Village of Higginsport, Ohio
Brown County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(Continued)

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OPWC Loan - Wastewater Planning	\$362,957	0%
OWDA Loan - Treatment Plant & Collection	\$165,966	1.5%
Total	\$528,923	

The Ohio Public Works Commission (OPWC) loan relates to a new wastewater collection system. The OPWC approved up to \$463,349 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$7,722, including interest, over 20 years. The scheduled payment amount below assumes that the entire amount of \$463,349 will be borrowed. The OPWC will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to a new wastewater collection system. The OWDA approved up to \$200,000 in loans to the Village for this project, plus capitalized interest. The Village will repay the loans in semiannual installments of \$4,203, including interest, over 20 years. The scheduled payment amount below assumes that the entire amount of \$200,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

NCMIC makes an insurance payment for the Village and the Village makes regular installment payments to NCMIC until the balance is paid. In 2014 the village made monthly payments to NCMIC in the amount of \$559.65 and in 2015 in the amount of \$601.76.

Amortization

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

Year ending	OPWC	OWDA Loan
December 31:	Loan	
2016	\$15,445	\$8,406
2017	15,445	8,406
2018	15,445	8,406
2019	15,445	8,406
2020	15,445	8,406
2021-2025	77,225	42,031
2026-2030	77,225	42,031
2031-2035	77,225	42,031
2036-2039	54,057	12,609
Total	\$362,957	\$180,732



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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
Higginsport, Ohio 45131

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Higginsport, Brown County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 3, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2015-002 and 2015-003 to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-004.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

July 3, 2017

**VILLAGE OF HIGGINSPO
BROWN COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Noncompliance/Finding for Recovery - Christina Reed

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

During fiscal year 2015, Christina Reed, Fiscal Officer, was responsible for four debit card expenditures and issued one expenditure, summarized below, for which detail supporting documentation was not maintained to substantiate that the payments were for a proper public purpose.

Check No.	Vendor	Date	Fund	Amount
Debit Card	Voelker Controls	3/13/15	Sewer	\$ 249
Debit Card	Grainger	5/4/15	Sewer	192
Debit Card	Sunsource	8/27/15	Sewer	200
Debit Card	Bristow's	7/1/15	Sewer	106
#22360	Rob Starrett	12/30/15	Fire	15
Total				\$ 762

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Christina Reed, Fiscal Officer, and her bonding company, Westfield Insurance Company, jointly and severally in the amount of \$762 in favor of the Village of Higginsport Sewer Fund and Fire Fund in the amount of \$747 and \$15, respectively.

Officials' Response:

We did not receive a response from Officials' to the finding above.

FINDING NUMBER 2015-002

Significant Deficiency

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, document compliance with finance-related legal and contractual requirements and prepare financial statements required by 117-2-03 of the Administrative Code.

We identified the following conditions related to the above criteria:

- Property Taxes receipts totaling \$4,766 and Intergovernmental receipts totaling \$246 in the Special Revenue Funds were not recorded in the accounting system in 2015, resulting in an understatement of Property and Other Local Taxes Receipts, Intergovernmental Receipts, and cash fund balance.
- Intergovernmental receipts totaling \$70 in the General Fund were not recorded in the accounting system in 2015, resulting in an understatement of Intergovernmental Receipts and cash fund balance.

FINDING NUMBER 2015-002
(Continued)

- Sewer Tap Fees totaling \$647 in the Enterprise Fund were not recorded in the accounting system in 2015, resulting in an understatement of Charges for Services Receipts and cash fund balance.
- General Government disbursements were overstated by \$592 in the General Fund in 2015 resulting in an understatement of cash fund balance.
- Homestead and Rollback receipts totaling \$686 and \$2,445 in the General Fund and Special Revenue Funds, respectively, were incorrectly posted to Property and Other Local Taxes Receipts rather than Intergovernmental Receipts in 2015.
- Special Revenue Funds Intergovernmental receipts totaling \$732 and \$941 for the Police Fund and Fire Fund, respectively, were incorrectly posted to Property and Other Local Taxes Receipts in the General Fund for 2015.
- Intergovernmental receipts totaling \$773 in the General Fund were incorrectly posted in the Special Revenue Funds for 2015.
- Property taxes receipts totaling \$953 in the Special Revenue Funds were incorrectly posted to Intergovernmental Receipts rather than to Property and Other Local Taxes Receipts in 2015.
- Special Assessments receipts in the Enterprise Fund were incorrectly posted at net resulting in Special Assessments Receipts and Contractual Services disbursements being understated by \$178 in 2015.
- Property Taxes receipts in the General Fund and Special Revenue Funds were incorrectly posted at net resulting in Property and Other Local Taxes, and General Government and Security of Persons and Property disbursements, being understated by \$233 and \$364, respectively, in 2015.
- Property taxes receipts totaling \$6,064 in the Special Revenue Funds were incorrectly posted to Intergovernmental Receipts and at net resulting in Property and Other Local Taxes Receipts being understated by \$5,798 and Security of Persons and Property disbursements being understated by \$266 in 2014.
- Property taxes receipts totaling \$10,000 in the Special Revenue Funds were incorrectly posted to Miscellaneous Receipts rather than to Property and Other Local Taxes Receipts in 2014.
- Brown County Auto License receipts totaling \$118 in the Special Revenue Funds were incorrectly posted to Miscellaneous Receipts rather than Intergovernmental Receipts in 2014.
- Property and Other Taxes Receipts and General Government disbursements were overstated by \$78 in the General Fund in 2014.
- Interest receipts totaling \$85 in the General Fund were incorrectly posted to Miscellaneous Receipts rather than Earnings on Investments in 2014.

**FINDING NUMBER 2015-002
(Continued)**

- Tobacco Settlement receipts totaling \$386 in the General Fund were incorrectly posted to Miscellaneous Receipts rather than Intergovernmental Receipts in 2014.
- Interest Expense totaling \$1,267 in the Enterprise Fund was incorrectly posted to Principal Retirement rather than Interest and Fiscal Charges in 2015.
- Assigned fund balance totaling \$11,968 and \$12,957 in the General Fund for 2014 and 2015, respectively, was incorrectly posted to Unassigned fund balance.

The financial statements and the accounting system have been adjusted for these errors where applicable.

The Village did not have procedures in place for effective monitoring of the Village's financial activity, and the accuracy of accounting and financial reporting. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation. The Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

Officials' Response:

We did not receive a response from Officials' to the finding above.

FINDING NUMBER 2015-003

Significant Deficiency

When designing the public office's system in internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village did not complete monthly bank reconciliations for October 2015 through December 2015. Monthly reconciliations that were completed for 2015 did not agree with the fund balances recorded in the manual accounting system due to unrecorded receipts and/or expenditures. At December 31, 2015, the Auditor of State reconciled bank balance was \$1,788 more than the Village's fund balance recorded in the financial statements.

Furthermore, the Village Fiscal Officer utilized online banking to pay certain vendors. Since the Fiscal Officer is also responsible for posting to the accounting system and reconciling the bank account, this demonstrates a lack of segregation of duties.

**FINDING NUMBER 2015-003
(Continued)**

Accurate preparation and timely review of bank reconciliations are basic and essential internal control components for sound fiscal management. Failure to reconcile the Village accounts with the accounting system could increase the likelihood of errors being made and not detected and corrected in a timely manner. This condition, combined with the lack of segregation of duties, increases the risk of misappropriation or theft, and reduces the Village's ability to monitor banking activities.

We recommend the Village reconcile all active bank accounts on a monthly basis. The Village should document and adequately explain all adjusting factors. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. For guidance the Village should utilize the Village Officer's Handbook. The Village should also establish controls over online banking activities to ensure adequate segregation of duties.

Officials' Response:

We did not receive a response from Officials' to the finding above.

FINDING NUMBER 2015-004

Noncompliance

Ohio Rev. Code § 149.351 provides that no public records shall be removed, destroyed, 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 Ohio Rev. Code Sections 149.38 to 149.42.

The Village failed to locate the following records:

- Supporting documentation for two miscellaneous receipts in 2014. We performed alternative procedures to obtain assurance that the receipts were posted to the proper fund and account.
- Supporting documentation for two intergovernmental receipts in 2015. We performed alternative procedures to obtain assurance that the receipts were posted.
- Supporting documentation for one payroll check in 2015 for \$89. We performed alternative procedures to obtain assurance that the expenditure was issued for the correct amount and properly posted.
- Annual appropriations ordinance adopted by Council for 2016.

Additionally, the Village did not provide canceled checks for the non-payroll expenditures cycle to verify endorsements. Alternative audit procedures performed to gain assurance over the endorsements were unsuccessful for nine of 23 (39%) and two of 23 (9%) non-payroll expenditures tested for 2015 and 2014, respectively.

**FINDING NUMBER 2015-004
(Continued)**

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

Furthermore, a lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. Failure to maintain cancelled checks or check images inhibits the Village's ability to ensure that disbursement checks were properly issued and authorized.

We recommend the Fiscal Officer keep supporting documentation for all transactions. We further recommend that the Village meet with the bank and begin receiving either cancelled checks or check images with the bank statements. The Village could also print check images if an online banking application is available from the bank.

Officials' Response:

We did not receive a response from Officials' to the finding above.

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Dave Yost • Auditor of State

VILLAGE OF HIGGINSPORT

BROWN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 27, 2017**