



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF HIGHLAND
HIGHLAND COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Council Members:

Report on the Audit of the Financial Statements

Unmodified, Qualified and Adverse Opinions

We have audited the financial statements of the Village of Highland, Highland County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the proprietary fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Basis for Additional Opinion Qualification

The Village did not maintain adequate system reports for the billing and collection of Village sewer charges for services receipts. Sewer charges for service receipts are reported at \$51,804 for the year ended December 31, 2022 and \$60,270 for the year ended December 31, 2021, which are 62 percent and 60 percent of total Proprietary Fund Type receipts respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services receipts and were unable to reconcile charges for services receipts to the accounting system. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Keith Faber
Auditor of State
Columbus, Ohio
August 8, 2024

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**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$8,601	\$0	\$8,601
Intergovernmental	20,334	33,287	53,621
Special Assessments	1,580	0	1,580
Earnings on Investments	31	0	31
Miscellaneous	495	0	495
<i>Total Cash Receipts</i>	<u>31,041</u>	<u>33,287</u>	<u>64,328</u>
Cash Disbursements			
Current:			
Security of Persons and Property	7,914	0	7,914
Leisure Time Activities	7,481	0	7,481
General Government	17,184	2,096	19,280
Transportation	0	8,526	8,526
<i>Total Cash Disbursements</i>	<u>32,579</u>	<u>10,622</u>	<u>43,201</u>
<i>Net Change in Fund Cash Balances</i>	(1,538)	22,665	21,127
<i>Fund Cash Balances, January 1</i>	<u>58,162</u>	<u>19,059</u>	<u>77,221</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$56,624</u></u>	<u><u>\$41,724</u></u>	<u><u>\$98,348</u></u>

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$51,804
<i>Total Operating Cash Receipts</i>	51,804
Operating Cash Disbursements	
Personal Services	5,732
Employee Fringe Benefits	1,145
Contractual Services	52,027
Supplies and Materials	9,663
<i>Total Operating Cash Disbursements</i>	68,567
<i>Operating Income (Loss)</i>	(16,763)
Non-Operating Receipts (Disbursements)	
Special Assessments	14,363
Principal Retirement	(13,781)
Interest and Other Fiscal Charges	(2,628)
<i>Total Non-Operating Receipts (Disbursements)</i>	(2,046)
<i>Income (Loss) before Transfers</i>	(18,809)
Transfers In	16,791
Transfers Out	(16,791)
<i>Net Change in Fund Cash Balances</i>	(18,809)
<i>Fund Cash Balances, January 1</i>	81,188
<i>Fund Cash Balances, December 31</i>	\$62,379

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

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The Village of Highland (the Village), Highland 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 general governmental services, sewer utilities and park operations. The Village contracts with the Highland County Sheriff's department to provide security of persons and property.

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

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 (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all 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:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds. The Village does not have any custodial funds.

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 (C). 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).

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 (C) 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. Unencumbered appropriations lapse at year end.

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

A summary of 2022 budgetary activity appears in Note 3.

Deposits

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end.

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 Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,680	\$31,041	\$2,361
Special Revenue	17,270	33,287	16,017
Enterprise	110,408	82,958	(27,450)
Total	\$156,358	\$147,286	(\$9,072)

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,105	\$33,551	\$3,554
Special Revenue	24,596	12,673	11,923
Enterprise	111,804	105,681	6,123
Total	\$173,505	\$151,905	\$21,600

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Village’s deposit and investment accounts are as follows:

	2022
Cash Management Pool:	
Demand deposits	\$160,727
Total carrying amount of deposits and investments held in the Pool (ties to FS)	\$160,727

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Village had unremitted employee payroll withholdings in the amount of \$396.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 during calendar year 2022. The portion of employer

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2022.

Note 9 – Debt

Debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #5094	\$255,945	1%
Total	\$255,945	

In 2009, the Village obtained the OWDA New Wastewater Collection system loan to partially pay off the OWDA Sewer Collection System loan. The loan was originally obtained for \$424,384. The interest rate for the loan is 1%, over a 30 year period.

Amortization

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

Year Ending December 31:	OWDA Loan
2023	\$16,409
2024	16,409
2025	16,409
2026	16,409
2027	16,409
2028-2031	65,636
2032-2036	82,045
2037-2039	49,227
Total	\$278,953

Note 10 – Contingent Liabilities

The Village may be a defendant in several lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Note 11 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$972	\$2,051	\$3,023
<i>Total</i>	\$972	\$2,051	\$3,023

The fund balance of special revenue funds is either restricted or committed. These restricted amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$6,201	\$0	\$6,201
Charges for Services	2,069	0	2,069
Intergovernmental	21,013	32,122	53,135
Earnings on Investments	30	0	30
Miscellaneous	758	0	758
<i>Total Cash Receipts</i>	<u>30,071</u>	<u>32,122</u>	<u>62,193</u>
Cash Disbursements			
Current:			
Security of Persons and Property	2,234	0	2,234
Leisure Time Activities	4,993	0	4,993
General Government	9,480	1,781	11,261
Community Environment	0	600	600
Transportation	0	35,401	35,401
<i>Total Cash Disbursements</i>	<u>16,707</u>	<u>37,782</u>	<u>54,489</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,364</u>	<u>(5,660)</u>	<u>7,704</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	2,500	2,500
Transfers Out	(2,500)	0	(2,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,500)</u>	<u>2,500</u>	<u>0</u>
Special Item	11	0	11
<i>Net Change in Fund Cash Balances</i>	10,875	(3,160)	7,715
<i>Fund Cash Balances, January 1</i>	<u>47,287</u>	<u>22,219</u>	<u>69,506</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$58,162</u></u>	<u><u>\$19,059</u></u>	<u><u>\$77,221</u></u>

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

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$60,270
<i>Total Operating Cash Receipts</i>	60,270
Operating Cash Disbursements	
Personal Services	6,723
Employee Fringe Benefits	1,590
Contractual Services	39,953
Supplies and Materials	17,308
<i>Total Operating Cash Disbursements</i>	65,574
<i>Operating Income (Loss)</i>	(5,304)
Non-Operating Receipts (Disbursements)	
Special Assessments	20,826
Principal Retirement	(15,559)
Interest and Other Fiscal Charges	(2,799)
<i>Total Non-Operating Receipts (Disbursements)</i>	2,468
<i>Income (Loss) before Transfers</i>	(2,836)
Transfers In	18,359
Transfers Out	(18,359)
<i>Net Change in Fund Cash Balances</i>	(2,836)
<i>Fund Cash Balances, January 1</i>	84,024
<i>Fund Cash Balances, December 31</i>	\$81,188

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

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

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

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 (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all organized on a fund type basis.

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

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds. The Village does not have any custodial funds.

Basis of Accounting

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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 (C) 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. Unencumbered appropriations lapse at year end.

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

A summary of 2021 budgetary activity appears in Note 3.

Deposits

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end.

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 Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,680	\$30,082	\$1,402
Special Revenue	17,270	34,622	17,352
Enterprise	110,408	99,455	(10,953)
Total	\$156,358	\$164,159	\$7,801

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,290	\$19,207	\$29,083
Special Revenue	42,555	37,977	4,578
Enterprise	113,089	102,291	10,798
Total	\$203,934	\$159,475	\$44,459

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Village’s deposit and investment accounts are as follows:

	2021
Cash Management Pool:	
Demand deposits	\$158,409
Total carrying amount of deposits and investments held in the Pool (ties to FS)	\$158,409

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the village does not have any unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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

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

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 during calendar year 2021. The portion of employer

Village of Highland, Ohio
Highland County
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For the Year Ended December 31, 2021

contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #5094	\$269,692	1%
Total	\$269,692	

In 2009, the Village obtained the OWDA New Wastewater Collection system loan to partially pay off the OWDA Sewer Collection System loan. The loan was originally obtained for \$424,384. The interest rate for the loan is 1%, over a 30 year period.

Amortization

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

Year Ending December 31:	OWDA Loan
2022	\$16,409
2023	16,409
2024	16,409
2025	16,409
2026	16,409
2027-2031	82,045
2032-2036	82,045
2037-2039	49,227
Total	\$295,362

Note 10 – Contingent Liabilities

The Village may be a defendant in several lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Note 11 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Village of Highland, Ohio
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2021

<u>Fund Balances</u>	<u>Special Revenue</u>	<u>Total</u>
Outstanding Encumbrances	195	195
<i>Total</i>	<u>\$195</u>	<u>\$195</u>

The fund balance of special revenue funds is either restricted or committed. These restricted amounts in the special revenue funds would include the outstanding encumbrances.

Note 12

Contrary to Ohio law at December 31, 2021, appropriations exceeded the amount certified as available by the budget commission in the Street Construction Maintenance and Repair Fund and the Sewer Debt Fund by \$23,284 and \$975, respectively.

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OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Highland, Highland County, (the Village) and have issued our report thereon dated August 8, 2024, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as charges for services in the Proprietary Fund Type for the years ended December 31, 2022 and 2021.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001 through 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-004.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
August 8, 2024

**VILLAGE OF HIGHLAND
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

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

FINDING NUMBER 2022-001

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village, and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the revenue ledger.

The following represents errors found in the 2021 revenue ledger.

Fund	Final Amended Certificate	Amounts recorded in System	Variance
General fund	\$ 28,680	\$ 26,350	\$ 2,330
Street Construction Maintenance and Repair fund	\$ 14,500	\$ 38,535	(\$24,035)
Permissive MVL fund	\$ 1,300	\$ 700	\$ 600
Coronavirus Relief fund	\$ 0	\$ 798	(\$ 798)
Sewer Operating fund	\$ 94,000	\$ 81,500	\$ 12,500
Sewer Debt fund	\$ 16,408	\$ 18,359	(\$ 1,951)

The following represents errors found in the 2021 appropriation ledger.

Fund	Final Appropriations	Amounts recorded in System	Variance
General fund	\$ 48,290	\$ 38,440	\$ 9,850
Street Construction Maintenance and Repair fund	\$ 39,845	\$ 50,622	(\$10,777)
Sewer Operating fund	\$ 95,704	\$ 97,554	(\$ 1,850)
Sewer Debt fund	\$ 17,384	\$ 18,359	(\$ 975)

**FINDING NUMBER 2022-001
 (Continued)**

The following represents errors found in the 2022 appropriation ledger.

Fund	Final Appropriations	Amounts recorded in System	Variance
General Fund	\$ 37,105	\$ 42,295	(\$ 5,190)
Street Construction Maintenance and Repair fund	\$ 9,257	\$ 9,962	(\$ 705)
State Highway fund	\$ 1,275	\$ 1,350	(\$ (75)
Sewer Operating fund	\$ 95,714	\$ 118,066	(\$22,352)
Sewer Debt fund	\$ 16,090	\$ 16,409	(\$ 319)

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2022-002

Material Weakness

When designing the public office's system of 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 liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village does not maintain adequate system reports for the billing and collection of Village sewer receipts. The Village only maintains a manual spreadsheet which showed customer payments received. There is no record of each customer's beginning balance, date payment is due, date received, and ending balances. There is no reconciliation noted between the manual spreadsheet prepared and the receipts posted in the Village's UAN system. There was no report provided for 2021.

Failure to develop and maintain adequate billing system reports can increase the chances of unrecorded sewer collections and accounts that may become delinquent. In addition, this resulted in a modified opinion over the Village's financial statements.

**FINDING NUMBER 2022-002
(Continued)**

The Village should develop, implement, and maintain billing system reports that will identify customers' account balances on a monthly basis. The Village should reconcile the billing system reports to the UAN accounting system on a monthly basis.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2022-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to deficiencies in the Village's financial statement monitoring and review process, the Village made the following errors during the compilation of their financial statements in 2021:

- Special item receipts were overstated and intergovernmental receipts were understated by \$1,170 in the General fund due to the incorrect posting of a recycling grant.
- Property and other local tax receipts were overstated and intergovernmental receipts were understated by \$2,020 in the Permissive Motor Vehicle License Tax Fund due to the incorrect posting of intergovernmental receipts.
- Miscellaneous receipts were overstated and intergovernmental receipts were understated by \$890 in the General fund due to the incorrect posting of a recycling grant.

Due to deficiencies in the Village's financial statement monitoring and review process, the Village made the following errors during the compilation of their financial statements in 2022:

- Property and other local tax receipts and cash fund balance were overstated by \$6,677 in the General fund due to the incorrect posting of special assessments.
- Property and other local tax receipts were understated by \$4,420; general government disbursements were understated by \$610; and fund cash balance was understated by \$3,810 in the General fund due to the incorrect posting of special assessments.
- Intergovernmental receipts and cash fund balance were understated by \$3,227 in the General fund due to the incorrect posting of intergovernmental receipts.
- Property and other local tax receipts were overstated and intergovernmental receipts were understated by \$1,975 in the Permissive Motor Vehicle License Tax Fund due to the incorrect posting of intergovernmental receipts.
- Charges for services receipts and cash fund balance were overstated by \$3,491 in the Enterprise fund due to the incorrect posting of intergovernmental receipts.

FINDING NUMBER 2022-003
(Continued)

- Special assessments receipts and cash fund balance were understated by \$6,677 in the Enterprise fund due to the incorrect posting of special assessments.
- Special assessments receipts and cash fund balance were overstated by \$3,810 in the Enterprise fund due to the incorrect posting of special assessments.
- Final budgeted expenses (Appropriation Authority) were overstated by \$5,311 in the General fund due to an error in compiling the Budgetary Activity footnote.
- Actual disbursements (Budgetary Expenditures) were overstated by \$2,051 in the Special Revenue fund due to an error in compiling the Budgetary Activity footnote.
- Final budgeted expenses (Appropriation Authority) were overstated by \$22,774 in the Enterprise fund due to an error in compiling the Budgetary Activity footnote.
- Actual disbursements (Budgetary Expenditures) were overstated by \$3,916 in the Enterprise fund due to an error in compiling the Budgetary Activity footnote.

The Village also had additional variances ranging from \$20 to \$972.

The Village did correct the financial statements and accounting records where applicable. The uncorrected amounts were not considered material.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Village.

The Village should review and implement internal controls to ensure financial transactions are accurately recorded and reported.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2022-004

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2021 the Village's appropriations exceeded the amount certified as available by the budget commission in the Street Construction Maintenance and Repair Fund and the Sewer Debt Fund by \$23,284 and \$975, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

**FINDING NUMBER 2022-004
(Continued)**

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Council to reduce the appropriations.

Officials' Response:

We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF HIGHLAND

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/10/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov