



**Auditor of State
Betty Montgomery**

VILLAGE OF HARRISVILLE
HARRISON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Harrisville
Harrison County
P.O. Box 249
Harrisville, Ohio 43974

To the Village Council:

We have audited the accompanying financial statements of the Village of Harrisville, Harrison County, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Harrisville, Harrison County, as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

March 21, 2003

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**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$8,773		\$8,773
Intergovernmental Receipts	22,543	\$6,981	29,524
Charges for Services	867		867
Earnings on Investments	454		454
Miscellaneous	749		749
	<hr/>		<hr/>
Total Cash Receipts	33,386	6,981	40,367
	<hr/>		<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,677		4,677
Public Health Services	371		371
Leisure Time Activities	7,107		7,107
Community Environment	7		7
Transportation	335	3,589	3,924
General Government	12,435		12,435
Debt Service:			
Principal Payments	9,869		9,869
Interest Payments	463		463
	<hr/>		<hr/>
Total Cash Disbursements	35,264	3,589	38,853
	<hr/>		<hr/>
Total Receipts Over/(Under) Disbursements	(1,878)	3,392	1,514
	<hr/>		<hr/>
Other Financing Receipts and (Disbursements):			
Other Financing Uses	(1,412)		(1,412)
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(1,412)		(1,412)
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,290)	3,392	102
	<hr/>		<hr/>
Fund Cash Balances, January 1	38,187	21,621	59,808
	<hr/>		<hr/>
Fund Cash Balances, December 31	<u>\$34,897</u>	<u>\$25,013</u>	<u>\$59,910</u>

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

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$8,272		\$8,272
Intergovernmental Receipts	29,851	\$6,402	36,253
Charges for Services	879		879
Earnings on Investments	1,220		1,220
Miscellaneous	470		470
	<hr/>		<hr/>
Total Cash Receipts	40,692	6,402	47,094
	<hr/>		<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,641		4,641
Public Health Services	320		320
Leisure Time Activities	15,126		15,126
Community Environment	6		6
Transportation	906	2,585	3,491
General Government	15,153		15,153
Debt Service:			
Principal Payments	5,530		5,530
Interest Payments	517		517
Capital Outlay	3,000	8,965	11,965
	<hr/>		<hr/>
Total Cash Disbursements	45,199	11,550	56,749
	<hr/>		<hr/>
Total Receipts Over/(Under) Disbursements	(4,507)	(5,148)	(9,655)
	<hr/>		<hr/>
Other Financing Receipts and (Disbursements):			
Other Financing Uses	(2,071)		(2,071)
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(2,071)		(2,071)
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,578)	(5,148)	(11,726)
	<hr/>		<hr/>
Fund Cash Balances, January 1	44,765	26,769	71,534
	<hr/>		<hr/>
Fund Cash Balances, December 31	\$38,187	\$21,621	\$59,808
	<hr/> <hr/>		<hr/> <hr/>
Reserves for Encumbrances, December 31	\$393		\$393
	<hr/> <hr/>		<hr/> <hr/>

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

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Harrisville, Harrison County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services including street maintenance services. The Village contracts with Harrisville Volunteer Fire Department to provide fire protection services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Contrary to Ohio Revised Code § 5705.41(D), the Village did not always properly certify or record commitment amounts against the applicable appropriation accounts.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$59,910</u>	<u>\$59,808</u>

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

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,590	\$33,386	(\$2,204)
Special Revenue	6,746	6,981	235
Total	\$42,336	\$40,367	(\$1,969)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,033	\$36,676	\$25,357
Special Revenue	14,175	3,589	10,586
Total	\$76,208	\$40,265	\$35,943

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,713	\$40,692	\$2,979
Special Revenue	6,620	6,402	(218)
Total	\$44,333	\$47,094	\$2,761

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,957	\$47,663	\$13,294
Special Revenue	19,688	11,550	8,138
Total	\$80,645	\$59,213	\$21,432

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX (Continued)

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$4,264	6.32%

The Ohio Water Development Authority (OWDA) loan relates to the planning costs for a sewer project. The project has been abandoned. The loan will be repaid in monthly installments of \$864 and will be completely repaid during 2003. The loan is collateralized by the full faith and credit of the Village.

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

	OWDA Loan
Year ending December 31:	
2003	\$4,319
Total	\$4,319

6. RETIREMENT SYSTEM

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Harrisville
Harrison County
P.O. Box 249
Harrisville, Ohio 43974

To the Village Council:

We have audited the accompanying financial statements of the Village of Harrisville, Harrison County, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated March 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 21, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 21, 2003.

Village of Harrisville
Harrison County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 21, 2003

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-31234-001

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

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars (\$1,000) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 38% of tested expenditures of the general fund and 50% of tested expenditures of the special revenue funds in 2001. The Village did not properly certify or record the amount against the applicable appropriation accounts for 14% of tested expenditures of the general fund and 100% of tested expenditures of the special revenue funds in 2002. The Village did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The Village should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.

Finding Number 2002-31234-002

Finding for Recovery

Harrison County issued warrant number 185110, dated June 12, 2001, to the Village of Harrisville in the amount of \$465.41. This warrant represented the Village's distribution of local government funds which is to be credited to the Village's General Fund. However, in our audit, this amount was not reflected as received on the Village's financial records.

We then contacted the Harrison County Auditor's Office which provided a copy of Warrant number 185110. An examination of the warrant noted that it had been processed by the Wheeling Tire Center, Inc., on June 21, 2001, and was deposited into its bank account with Progressive Bank. The Wheeling Tire Center, Inc. represented to us that no goods or services were rendered by them in regards to this warrant. Rather, the Tire Center merely cashed the warrant for the presenter.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

The endorsement on the warrant bore the name of Cathy Allen who was the Clerk of the Village of Harrisville at the time. The warrant was presented to Cathy Allen for her examination and she represented to us that the endorsement was not her signature. As such, Village monies were improperly converted for a purpose which did not benefit the Village.

Based on the forgoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but unaccounted for is hereby issued against the Wheeling Tire Center, Inc., in the amount of four hundred sixty-five dollars and forty-one cents (\$465.41) and in favor of the General Fund of the Village of Harrisville. This matter has also been brought to the attention of the Harrison County Prosecutor's Office.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

VILLAGE OF HARRISVILLE

HARRISON 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
JUNE 26, 2003**