

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2004 and 2003

ELIZABETH SIMONIAN, CLERK/TREASURER



**Auditor of State
Betty Montgomery**

Village Council
Village of Harrisburg
1100 High Street.
PO Box 17
Harrisburg, OH 43126

We have reviewed the *Independent Auditor's Report* of the Village of Harrisburg, Franklin County, prepared by Julian and Grube, Inc., for the audit period January 1, 2003 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Harrisburg is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

March 20, 2006

This Page is Intentionally Left Blank.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Combined Statement of Cash Fund Balances - All Fund Types - December 31, 2004 and 2003	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2004	4
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary Fund Type and Similar Fiduciary Fund Type for the Year ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements and Encumbrances Compared With Expenditure Authority - Budget and Actual For the Year Ended December 31, 2004.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund types For the Year Ended December 31, 2003.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary Fund Type and Similar Fiduciary Fund Type - For the Year Ended December 31, 2003.....	8
Combined Statement of Cash Receipts, Cash Disbursements and Encumbrances Compared with Expenditure Authority - Budget and Actual For the Year Ended December 31, 2003.....	9
Notes to the Financial Statements.....	10 - 19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20 - 21
Schedule of Findings	22

This Page is Intentionally Left Blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Members of Council and Mayor
Village of Harrisburg
1100 High Street
P.O. Box 17
Harrisburg, OH 43126

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

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

As described more fully in Note 2, the Village of Harrisburg has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Independent Auditor's Report
Village of Harrisburg
Page Two

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Harrisburg as of December 31, 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Harrisburg, Franklin County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the basis of accounting Note 2 describes.

As described in Note 3.A, the Village has restated its General and Special Revenue fund balances as of January 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2006, on our consideration of the Village of Harrisburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Julian & Grube, Inc.
January 9, 2006

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2004 AND 2003

<u>Cash and Cash Equivalents</u>	2004	2003
Cash and Cash Equivalents	\$ 127,063	\$ 137,643
Total Cash and Cash Equivalents	\$ 127,063	\$ 137,643
 <u>Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 87,896	\$ 109,660
Special Revenue Funds	33,843	27,737
Capital Projects Funds	-	25
Total Governmental Fund Types	121,739	137,422
<u>Proprietary Fund Type:</u>		
Enterprise Fund	100	100
<u>Fiduciary Fund Type:</u>		
Agency Fund	5,224	121
Total Fund Balances	\$ 127,063	\$ 137,643

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 52,030	\$ -	\$ -	\$ 52,030
Intergovernmental	41,546	13,790	-	55,336
Fines, licenses, and permits	7,977	983	-	8,960
Interest	399	42	-	441
Miscellaneous	3,382	-	-	3,382
Total cash receipts	<u>105,334</u>	<u>14,815</u>	<u>-</u>	<u>120,149</u>
Cash disbursements:				
Current:				
Security of persons and property	32,500	-	-	32,500
Leisure time activities	311	-	-	311
Transportation	-	7,086	-	7,086
General government	91,677	1,623	25	93,325
Total cash disbursements	<u>124,488</u>	<u>8,709</u>	<u>25</u>	<u>133,222</u>
Total cash receipts over/(under) cash disbursements	<u>(19,154)</u>	<u>6,106</u>	<u>(25)</u>	<u>(13,073)</u>
Other financing receipts/(disbursements):				
Operating transfers out	(2,500)	-	-	(2,500)
Other uses	(110)	-	-	(110)
Total other financing receipts/(disbursements)	<u>(2,610)</u>	<u>-</u>	<u>-</u>	<u>(2,610)</u>
Excess of cash receipts over/(under) cash disbursements	(21,764)	6,106	(25)	(15,683)
Cash fund balances, January 1, 2004	<u>109,660</u>	<u>27,737</u>	<u>25</u>	<u>137,422</u>
Cash fund balances, December 31, 2004	<u>\$ 87,896</u>	<u>\$ 33,843</u>	<u>\$ -</u>	<u>\$ 121,739</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE
AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash disbursements:			
Contractual services	\$ 630	\$ -	\$ 630
Capital outlay	134,614	-	134,614
Total operating cash disbursements	<u>135,244</u>	<u>-</u>	<u>135,244</u>
Operating (loss)	<u>(135,244)</u>	<u>-</u>	<u>(135,244)</u>
Nonoperating cash receipts/(disbursements):			
Fines collected	-	15,060	15,060
Proceeds of notes	140,258	-	140,258
Debt service:			
Principal	(2,500)	-	(2,500)
Interest	(5,014)	-	(5,014)
Fines disbursed	-	(9,957)	(9,957)
Total nonoperating cash receipts/(disbursements)	<u>132,744</u>	<u>5,103</u>	<u>137,847</u>
Income/(loss) before operating transfers	(2,500)	5,103	2,603
Operating transfer in	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Net Income	-	5,103	5,103
Cash fund balances, January 1, 2004	<u>100</u>	<u>121</u>	<u>221</u>
Cash fund balances, December 31, 2004	<u>\$ 100</u>	<u>\$ 5,224</u>	<u>\$ 5,324</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 99,126	\$ 148,659	\$ 247,785	\$ 105,334	\$ (43,325)	\$ -	\$ 216,793	\$ 216,793	\$ 127,098	\$ -	\$ 127,098	\$ 89,695
Special Revenue	5,386	13,833	19,219	14,815	982	-	17,095	17,095	8,709	-	8,709	8,386
Capital Projects	-	25	25	-	(25)	-	25	25	25	-	25	-
Proprietary:												
Enterprise	-	142,758	142,758	142,758	-	-	142,758	142,758	142,758	-	142,758	-
Total												
(Memorandum Only)	\$ 104,512	\$ 305,275	\$ 409,787	\$ 262,907	\$ (42,368)	\$ -	\$ 376,671	\$ 376,671	\$ 278,590	\$ -	\$ 278,590	\$ 98,081

9

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 49,713	\$ -	\$ -	\$ 49,713
Intergovernmental	45,517	7,820	-	53,337
Fines, licenses, and permits	20,290	7,169	-	27,459
Interest	396	39	-	435
Miscellaneous	1,756	-	-	1,756
Total cash receipts	<u>117,672</u>	<u>15,028</u>	<u>-</u>	<u>132,700</u>
Cash disbursements:				
Current:				
Security of persons and property	35,509	-	-	35,509
Transportation	-	17,131	-	17,131
General government	76,874	3,588	-	80,462
Total cash disbursements	<u>112,383</u>	<u>20,719</u>	<u>-</u>	<u>133,102</u>
Excess of cash receipts over/(under) cash disbursements	5,289	(5,691)	-	(402)
Cash fund balances, January 1, 2003 (restated)	<u>104,371</u>	<u>33,428</u>	<u>25</u>	<u>137,824</u>
Cash fund balances, December 31, 2003	<u>\$ 109,660</u>	<u>\$ 27,737</u>	<u>\$ 25</u>	<u>\$ 137,422</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE
AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash disbursements:			
Capital outlay	\$ 14,900	\$ -	\$ 14,900
Total operating cash disbursements	<u>14,900</u>	<u>-</u>	<u>14,900</u>
Operating (loss)	<u>(14,900)</u>	<u>-</u>	<u>(14,900)</u>
Nonoperating cash receipts/(disbursements):			
Fines collected	-	26,918	26,918
Proceeds of notes	15,000	-	15,000
Fines disbursed	<u>-</u>	<u>(27,501)</u>	<u>(27,501)</u>
Total nonoperating cash receipts/(disbursements)	<u>15,000</u>	<u>(583)</u>	<u>14,417</u>
Net Income/(loss)	100	(583)	(483)
Cash fund balances, January 1, 2003	<u>-</u>	<u>704</u>	<u>704</u>
Cash fund balances, December 31, 2003	<u>\$ 100</u>	<u>\$ 121</u>	<u>\$ 221</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 108,065	\$ 267,437	\$ 375,502	\$ 117,672	\$ (149,765)	\$ -	\$ 186,209	\$ 186,209	\$ 112,383	\$ -	\$ 112,383	\$ 73,826
Special Revenue	4,342	11,800	16,142	15,028	3,228	-	26,305	26,305	20,719	-	20,719	5,586
Proprietary:												
Enterprise	-	15,000	15,000	15,000	-	-	25,000	25,000	14,900	-	14,900	10,100
Total (Memorandum Only)	\$ 112,407	\$ 294,237	\$ 406,644	\$ 147,700	\$ (146,537)	\$ -	\$ 237,514	\$ 237,514	\$ 148,002	\$ -	\$ 148,002	\$ 89,512

6

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Harrisburg (the "Village") is a body politic and corporate established for the purpose of exercising 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 and police services.

Management believes the financial statements present all activities for which the Village is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUND TYPES

General Fund

The general fund is used to account for all activities of the Village not required to be included 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 are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Village had the following significant special revenue fund:

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

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major projects (except those financed through enterprise or trust funds). The Village had no significant capital projects funds.

PROPRIETARY FUND TYPE

Enterprise Funds

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

Sewer Construction Fund - This fund receives loan proceeds from Ohio Water Development Authority (OWDA) for the planning and constructing of a sewer system.

FIDUCIARY FUND TYPE

Agency Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant agency fund:

Mayor's Court - This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected in part on behalf of the State of Ohio. In addition, funds are used for the maintenance and updating the of Mayor's Court computers and supporting general Village operations.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated, except for Agency funds. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. There were supplemental appropriation amendments in 2004 and 2003.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had no outstanding encumbrances at December 31, 2004 and 2003.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. CASH AND INVESTMENTS

For reporting purposes, the Village considers "Cash and Investments" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$441 and \$435 for the years ended December 31, 2004 and 2003, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants, awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

H. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - COMPLIANCE AND PRIOR PERIOD ADJUSTMENT

A. Prior Period Adjustment

The Village is restating its General Fund and Special Revenue - Mayor's Court Computer Fund at January 1, 2003. The prior period adjustment is required to place the appropriate collections for the Mayors' Court Computer fund into a proper separate fund.

The prior period adjustment had the following effect on the Village's fund balances:

	<u>General</u>	<u>Special Revenue</u>
Balance 12/31/02	\$ 110,621	\$ 27,178
Prior Period Adjustment	(6,250)	6,250
Restated Balances 1/01/03	\$ 104,371	\$ 33,428

B. Compliance

In noncompliance with Ohio Revised Code Section 5705.39, the following funds had appropriations in excess of estimated resources for the year ended December 31, 2003:

	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
<u>SPECIAL REVENUE FUNDS</u>			
Street Construction, Maintenance and Repair	\$ 14,542	\$ 20,055	\$ 5,513
Mayors' Court Computer	-	6,250	6,250
<u>ENTERPRISE FUND:</u>			
Sewer Construction	15,000	25,000	10,000

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 4 - CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

Deposits:	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$ 127,063</u>	<u>\$ 137,643</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution’s public entity deposit pool.

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the Village’s operating transfers for 2004:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,500
Enterprise Fund		
Sewer Construction	<u>2,500</u>	<u>-</u>
Total	<u>\$ 2,500</u>	<u>\$ 2,500</u>

NOTE 6 - PROPERTY AND OTHER LOCAL TAXES

A. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Public utilities are also taxed on personal and real property located within the Village.

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

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 6 - PROPERTY AND OTHER LOCAL TAXES - (Continued)

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

B. LOCAL INCOME TAX

This locally levied tax of 1.00% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. Tax receipts are accounted for in the general fund. The Village collected \$48,508 and \$46,473, in 2004 and 2003, respectively, in income tax receipts.

NOTE 7 - DEBT OBLIGATIONS

At December 31, 2004, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at</u> <u>12/31/2004</u>	<u>Balance at</u> <u>12/31/2003</u>
2004 OWDA planning note for new wastewater system design	\$ 140,258	\$ -
2002 OWDA planning note for wastewater system feasibility study - due in annual installments of \$2,500 through 2013, bearing no interest	<u>22,500</u>	<u>25,000</u>
Total Debt Obligations	<u>\$ 162,758</u>	<u>\$ 25,000</u>

Transactions for the year ended December 31, 2004 are summarized as follows:

	<u>Balance</u> <u>12/31/03</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/04</u>
Note - OWDA	\$ -	\$ 140,258	\$ -	\$ 140,258
Note - OWDA	<u>25,000</u>	<u>-</u>	<u>(2,500)</u>	<u>22,500</u>
Total Notes	<u>\$ 25,000</u>	<u>\$ 140,258</u>	<u>\$ (2,500)</u>	<u>\$ 162,758</u>

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 7 - DEBT OBLIGATIONS - (Continued)

Transactions for the year ended December 31, 2003 are summarized as follows:

	(Restated) Balance <u>12/31/02</u>	<u>Proceeds</u>	<u>Retirements</u>	Balance <u>12/31/03</u>
Note - OWDA (Restated)	\$ 10,000	\$ 15,000	-	\$ 25,000

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2004 are as follows:

<u>Year Ending December 31</u>	Note - OWDA <u>Principle</u>
2005	\$ 2,500
2006	2,500
2007	2,500
2008	2,500
2009	2,500
2010-2013	<u>10,000</u>
Total	<u>\$ 22,500</u>

The 2004 OWDA planning note with principal balance of \$140,258 for construction of the new wastewater system design is not yet fully disbursed as of December 31, 2004. Upon final disbursement, OWDA will finalize financing terms and repayment requirements.

NOTE 8 - RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 2004 and 2003 OPERS members contributed 8.5 % of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004 and 2003.

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 9 - RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member’s deductible.

The Plan issues its own policies and reinsures with A-VII or better rated carriers, except for a 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 for casualty losses and the lesser of 5% or \$50,000 for property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan’s financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2004, and 2003:

	<u>2004</u>	<u>2003</u>
Assets	\$ 6,685,522	\$ 5,402,167
Liabilities	<u>(2,227,808)</u>	<u>(1,871,123)</u>
Members' Equity	<u>\$ 4,457,714</u>	<u>\$ 3,531,044</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

NOTE 10 - CONTINGENT LIABILITIES

The Village is currently involved two legal proceedings.

It is the opinion of the Village’s legal counsel that the Village will have to disburse a maximum of \$13,000 total in regards to these proceedings.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

“SERVING OHIO LOCAL GOVERNMENTS”

**Independent Accountants’ Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards***

Members of Council and Mayor
Village of Harrisburg
1100 High Street
P.O. Box 17
Harrisburg, OH 43126

We have audited the financial statements of the Village of Harrisburg as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 9, 2006, wherein we noted the Village of Harrisburg followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. In addition, as described in Note 3.A, the Village has restated its General and Special Revenue fund balances as of January 1, 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 the Comptroller General of the United States’ *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Harrisburg’s internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the Village of Harrisburg in a separate letter dated January 9, 2006.

Members of Council and Mayor
Village of Harrisburg

Compliance and Other Matters

As part of reasonably assuring whether the Village of Harrisburg's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-VOH-001. We also noted certain matters involving compliance and other matters that we have reported to the management of the Village of Harrisburg in a separate letter dated January 9, 2006.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 9, 2006

**VILLAGE OF HARRISBURG
FRANKLIN COUNTY, OHIO**

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

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2004-VOH-001

Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

It was noted during the audit that for the year ended December 31, 2003, the Village had appropriations exceeding estimated resources in the following funds:

	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
<u>SPECIAL REVENUE FUNDS</u>			
Street Construction,			
Maintenance and Repair	\$ 14,542	\$ 20,055	\$ 5,513
Mayors' Court Computer	-	6,250	6,250
<u>ENTERPRISE FUND:</u>			
Sewer Construction	15,000	25,000	10,000

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Village is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF HARRISBURG

FRANKLIN 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
APRIL 4, 2006**