



**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

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# Mary Taylor, CPA

Auditor of State

Village of Harrisburg  
Franklin County  
1100 High Street, P.O. Box 17  
Harrisburg, Ohio 43216

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 12, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Harrisburg  
Franklin County  
1100 High Street, P.O. Box 17  
Harrisburg, Ohio 43216

To the Village Council:

We have audited the accompanying financial statements of the Village of Harrisburg, Franklin County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31 2006 and 2005, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Harrisburg, Franklin County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

September 12, 2007



**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 42,235	\$ 2,319	\$ 44,554
Intergovernmental	52,434	7,464	59,898
Fines, Licenses and Permits	12,061	1,166	13,227
Earnings on Investments	425	41	466
Miscellaneous	1,877	-	1,877
	<u>109,032</u>	<u>10,990</u>	<u>120,022</u>
<b>Total Cash Receipts</b>			
	<u>109,032</u>	<u>10,990</u>	<u>120,022</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	37,778	-	37,778
Leisure Time Activities	248	-	248
Basic Utility Service	121	2,000	2,121
Transportation	-	11,648	11,648
General Government	88,990	-	88,990
	<u>127,137</u>	<u>13,648</u>	<u>140,785</u>
<b>Total Cash Disbursements</b>			
	<u>127,137</u>	<u>13,648</u>	<u>140,785</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(18,105)</u>	<u>(2,658)</u>	<u>(20,763)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Sale of Fixed Assets	1,050	-	1,050
	<u>1,050</u>	<u>-</u>	<u>1,050</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(17,055)</u>	<u>(2,658)</u>	<u>(19,713)</u>
<b>Fund Cash Balances, January 1</b>	<u>23,073</u>	<u>35,395</u>	<u>58,468</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 6,018</b></u>	<u><b>\$ 32,737</b></u>	<u><b>\$ 38,755</b></u>

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

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Disbursements:</b>			
Contractual Services	\$ 9,160	\$ -	\$ 9,160
Total Operating Cash Disbursements	<u>9,160</u>	<u>-</u>	<u>9,160</u>
Operating Income/(Loss)	<u>(9,160)</u>	<u>-</u>	<u>(9,160)</u>
<b>Non-Operating Cash Receipts:</b>			
Other Debt Proceeds	9,160	-	9,160
Fines Collected	<u>-</u>	<u>15,172</u>	<u>15,172</u>
Total Non-Operating Cash Receipts	<u>9,160</u>	<u>15,172</u>	<u>24,332</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	2,500	-	2,500
Fines Disbursed	<u>-</u>	<u>15,671</u>	<u>15,671</u>
Total Non-Operating Cash Disbursements	<u>2,500</u>	<u>15,671</u>	<u>18,171</u>
Net Receipts Over/(Under) Disbursements	(2,500)	(499)	(2,999)
Fund Cash Balances, January 1	<u>(2,400)</u>	<u>7,115</u>	<u>4,715</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ (4,900)</u></u></b>	<b><u><u>\$ 6,616</u></u></b>	<b><u><u>\$ 1,716</u></u></b>

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

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 49,025	\$ 3,430	\$ 52,455
Intergovernmental	50,465	8,603	59,068
Charges for Services	85	-	85
Fines, Licenses and Permits	9,316	1,267	10,583
Earnings on Investments	336	41	377
Miscellaneous	2,338	-	2,338
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	111,565	13,341	124,906
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	37,044	-	37,044
Leisure Time Activities	388	-	388
Transportation	-	13,085	13,085
General Government	123,160	-	123,160
Capital Outlay	14,500	-	14,500
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	175,092	13,085	188,177
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(63,527)	256	(63,271)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In	-	1,296	1,296
Transfers-Out	(1,296)	-	(1,296)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(1,296)	1,296	-
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(64,823)	1,552	(63,271)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	87,896	33,843	121,739
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 23,073</b>	<b>\$ 35,395</b>	<b>\$ 58,468</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Disbursements:</b>			
Contractual Services	\$ 29,440	\$ -	\$ 29,440
Total Operating Cash Disbursements	<u>29,440</u>	<u>-</u>	<u>29,440</u>
Operating Income/(Loss)	<u>(29,440)</u>	<u>-</u>	<u>(29,440)</u>
<b>Non-Operating Cash Receipts:</b>			
Other Debt Proceeds	29,440	-	29,440
Fines Collected	<u>-</u>	<u>16,865</u>	<u>16,865</u>
Total Non-Operating Cash Receipts	<u>29,440</u>	<u>16,865</u>	<u>46,305</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	2,500	-	2,500
Fines Disbursed	<u>-</u>	<u>14,974</u>	<u>14,974</u>
Total Non-Operating Cash Disbursements	<u>2,500</u>	<u>14,974</u>	<u>17,474</u>
Net Receipts Over/(Under) Disbursements	(2,500)	1,891	(609)
Fund Cash Balances, January 1	<u>100</u>	<u>5,224</u>	<u>5,324</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ (2,400)</u></b>	<b><u>\$ 7,115</u></b>	<b><u>\$ 4,715</u></b>

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

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Harrisburg, Franklin County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance services and police protection services for its citizens.

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

**B. Accounting Basis**

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

**C. Cash**

The Village maintains a general checking account.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

Mayor's Court Computer Fund – This fund receives computerization fund money from the Mayor's Court Agency Fund and makes related expenditures.

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Enterprise Fund**

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

Sewer Fund - This fund receives loan money from OWDA and uses it to plan for and construct a new sewer system. Once this system is completed, the fund will receive charges for services from residents to cover sewer service costs.

**4. Fiduciary Fund**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court receipts of Fines and Fees and distributions to the Village and the State.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED CASH**

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

	2006	2005
Demand deposits	\$40,471	\$63,183

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,631	\$110,082	(\$25,549)
Special Revenue	14,840	10,990	(3,850)
Enterprise	0	9,160	9,160
Total	\$150,471	\$130,232	(\$20,239)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$167,885	\$127,137	\$40,748
Special Revenue	12,000	13,648	(1,648)
Enterprise	0	11,660	(11,660)
Total	\$179,885	\$152,445	\$27,440

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$224,184	\$111,565	(\$112,619)
Special Revenue	95,289	14,637	(80,652)
Enterprise	0	29,440	29,440
Total	\$319,473	\$155,642	(\$163,831)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$223,384	\$176,388	\$46,996
Special Revenue	69,699	13,085	56,614
Enterprise	0	31,940	(31,940)
Total	\$293,083	\$221,413	\$71,670

Contrary to Ohio law, the Village did not adopt a tax budget for 2006 until July 19, 2005, the Village did not pass a resolution authorizing the necessary tax levies and rates for 2006 until October 4, 2005, the Village did not file a certificate of available revenue for 2006 with the County Auditor, and the Village did not adopt an appropriation resolution for 2005 until February 4, 2005.

These compliance violations also lead to expenditures exceeding appropriations at the object level for five objects in the General Fund 2005, four objects in the Street Fund 2005, two objects in the Enterprise Fund 2005, four objects in the General Fund 2006, three objects in the Street Fund 2006, and two objects in the Enterprise Fund 2006.

**4. PROPERTY TAX**

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

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.

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



**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the City of Columbus which collects and process the income taxes for the Village. The City of Columbus remits payments to the Village every month for the taxes collected during the month, less administrative fees.

**6. DEBT**

Debt outstanding at December 31, 2006 and December 31, 2005 was as follows:

	Balance Outstanding <u>12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>12/31/06</u>	Amounts Due in <u>One Year</u>
<b>Loan Outstanding at 12/31/06</b>					
OWDA Planning Loan	\$ 20,000	\$ -	\$ (2,500)	\$ 17,500	\$ 2,500
OWDA Project Loan	164,054	9,160	-	173,214	-

	Balance Outstanding <u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>12/31/05</u>	Amounts Due in <u>One Year</u>
<b>Loan Outstanding at 12/31/05</b>					
OWDA Planning Loan	\$ 22,500	\$ -	\$ (2,500)	\$ 20,000	\$ 2,500
OWDA Project Loan	134,614	29,440	-	164,054	-

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$25,000 in loans for the planning of the project and up to \$180,000 in loans to the Village for the engineer of the project. The Village is repaying the \$25,000 loan with \$2,500 annual payments which are included in the schedule below. The Village has not fully drawn on the \$180,000 and therefore, payments on the loan have not been made and an amortization schedule has not been set up. The Village will begin making payments on the \$180,000 loan in 2009.

Amortization of the above debt, is scheduled as follows:

Year ending December 31:	<u>OWDA Loan</u>
2007	\$2,500
2008	2,500
2009	2,500
2010	2,500
2011	2,500
2012 - 2013	5,000
Total	<u><u>\$17,500</u></u>

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RETIREMENT SYSTEM**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**9. SUBSEQUENT EVENTS**

The Village has received approval for additional funding to expand and construct the new sewer system. The first is a loan from OPWC for an amount not to exceed \$954,000. The second is a CDBG grant through Franklin County for an amount not to exceed \$300,000 for 2007 and \$300,000 for 2008. The Village has yet to receive any debt proceeds or grant money from either of these sources, but expects to begin drawing down money once it breaks ground in October 2007.



# Mary Taylor, CPA

## Auditor of State

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

Village of Harrisburg  
Franklin County  
1100 High Street, P.O. Box 17  
Harrisburg, Ohio 43216

To the Village Council:

We have audited the financial statements of the Village of Harrisburg, Franklin County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 12, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: Finding Number 2006-001 through 2006-013.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings numbers 2006-001 through 2006-013 are also material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-004 through 2006-013.

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

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 12, 2007

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

<b>Finding Number</b>	<b>2006-001</b>
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**Significant Deficiency – Material Weakness**

**Financial Reporting**

The Village utilizes the UAN System for processing accounting transactions and creating year-end financial reports. The Village Council approves transactions such as appropriations, transfers, grant and loan agreements, and expenditures, however once the transaction is approved, there are very little monitoring controls. Also, Council does not review a year end financial report or notes to the financial statements.

Council should review expenditures, receipts, and the related postings to the accounting records at least monthly, as well as, the posting to the financial statements. Council should ensure that the expenditures are posted against the proper appropriation line items and that they are for a proper public purpose. Council should review budget vs. actual information by fund and object to ensure that budgets are being met and that transactions are being recorded in the proper funds. The information provided to Council should be in a manner that is easily understood.

The Village Council is not reviewing budget vs. actual information or postings to the UAN System to monitor the financial activity of the Village. The information that Council is provided, is not presented in an easily understandable format. The lack of review by the Village Council creates a weak control environment over financial reporting at the Village. The weak control environment has lead to many audit adjustments and repeated adjustments from prior audits. Also, the lack of monitoring information on the UAN System has lead to the prior year adjustments not being posted to the UAN System.

We recommend that the Village Council monitor financial information from the accounting system including budget vs. actual information, expenditure ledgers, receipt ledgers, and any other financial reports that they feel are necessary to improve the control environment over financial reporting. Also, upon creation of the annual financial statements and footnotes to those statements, the Clerk/Treasurer should present the reporting package to the Council for their review. The individuals responsible for the review should look for obvious misstatements and omissions and check to see if prior audit corrections have been made.

**Officials Response:** See page 25.

VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS (Continued)  
DECEMBER 31, 2006 AND 2005

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2006-002</b>
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**Significant Deficiency – Material Weakness**

**Personnel Files**

The Village should maintain personnel files for each employee that includes: Name, hiring authorization, position and authorized salary rate, department or fund to which the salary will be charged, deduction authorization forms, retirement participation forms, federal withholding form W-4, and state and local income tax withholding authorization.

The Village has personnel files, however not all of the required information is included. Due to this, it was difficult to tell what each employee's authorized salary was and what department and fund their salary was supposed to be charged.

We recommend the Village update the personnel files of current employees and create proper personnel files for new employees when they are hired.

**Officials Response:** See page 25.

<b>Finding Number</b>	<b>2006-003</b>
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**Significant Deficiency – Material Weakness**

**Mayor's Court – Reconciliation**

The Mayor's Court Clerk should maintain a cash journal for all activity in the Court. This journal should show receipts coming into to Court by receipt number and should show checks written to the Village and State by check number. At the end of each month the balance in the cash journal should be reconciled to the bank statement for outstanding checks or deposits in transit and then reconciled to the Mayor's Court Agency Fund.

The Mayor's Court Clerk does not maintain a cash journal or prepare monthly bank reconciliations. This could lead to misappropriations of monies going unnoticed.

We recommend that the Mayor's Court Clerk begin using a cash journal. This journal should be reconciled monthly to the balance in the bank and the balance in the Mayor's Court Agency Fund.

**Officials Response:** See page 25.

VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS (Continued)  
DECEMBER 31, 2006 AND 2005

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

Finding Number	2006-004
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**Noncompliance Citation – Significant Deficiency – Material Weakness**

**Prior Certification of Funds**

**Ohio Rev. Code Section 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

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

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty seven (57%) percent of the transactions tested were not certified by the Clerk/Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS (Continued)  
DECEMBER 31, 2006 AND 2005

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>
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<b>2006-004 (Continued)</b>
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**Noncompliance Citation – Significant Deficiency – Material Weakness (Continued)**

**Prior Certification of Funds (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's expenditures exceeding budgetary spending limitations, we recommend that the Clerk/Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**Officials Response:** See page 25.

<b>Finding Number</b>
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<b>2006-005</b>
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**Noncompliance Citation – Significant Deficiency – Material Weakness**

**Mayor's Court – Timely Deposits**

**Ohio Rev. Code Section 9.38** requires public money to be deposited with the treasurer of the public officer, Village Clerk, or designated depository on the business day following the day of the receipt.

This section also stipulated that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receipt. The public official must then deposit the money on the next business day.

Certain Mayor's Court receipts were not deposited with the designated depository for a period ranging between 3 to 90 days after initial receipt of the money. Delays of this nature could cause the Mayor's Court receipts to be lost or misplaced without being detected in a timely manner.

We recommend the Village to properly safeguard receipts and implement House Bill 220, which amended Ohio Rev. Code Section 9.38, relative to depositing requirements and procedures. The Village should also review Auditor of State Bulletin 99-020.

**Officials Response:** See page 25.



VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS (Continued)  
DECEMBER 31, 2006 AND 2005

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

Finding Number	2006-006
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**Noncompliance Citation – Significant Deficiency – Material Weakness**

**Mayor’s Court – Disposition of Fines**

**Ohio Rev. Code Section 733.40** requires in part that all funds that are collected by the mayor, or that in any manner come into the mayor’s hands, or other officer of the municipal corporation, shall be paid by the mayor into the treasury of the municipal corporation on the first Monday, or first business day, of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

The Mayor’s Court Clerk paid money into the Village Treasury and to the State Treasury approximately every three months. This could lead to monies due to the Village or State being mismanaged or misappropriated.

We recommend by the first Monday of every month, the Mayor’s Court Clerk write one check to the State for the amount due for State fees and one check to the Village for computerization fees and general fees. Accompanying the check to the Village should be a break out, generated from the Mayor’s Court computer system that shows the amount due to the Computer Fund and the amount due to the General Fund.

**Officials Response:** See page 25.

Finding Number	2006-007
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**Noncompliance Citation – Significant Deficiency – Material Weakness**

**Adoption of a Tax Budget**

**Ohio Rev. Code Section 5705.28(A)(2)** requires the Village Council as the Village’s taxing authority, to adopt a tax budget for the next succeeding year on or before July 15 of each year.

Due to poor communication within Village management and lack of sufficient support for the budget, Village Council did not adopt the 2006 tax budget until July 19, 2005. This could lead to the Village losing their share of local government support monies.

To avoid jeopardizing their share of local government monies, we recommend the Village adopt a tax budget on or before July 15 of each year. The budget should be created by the Clerk/Treasurer each year and the budget and accompanying support should be provided to Council in an appropriate and timely manner. Council should review the information, request any appropriate changes, and pass the budget prior to July 15.

**Officials Response:** See page 25.

VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS (Continued)  
DECEMBER 31, 2006 AND 2005

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

Finding Number	2006-008
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**Noncompliance Citation – Significant Deficiency – Material Weakness**

**Certifying Tax Levies**

**Ohio Rev. Code Section 5705.34** requires, in part, the Village to pass a resolution authorizing the necessary tax levies and certify the levies to the County Auditor before October 1 of the preceding fiscal year.

Prior to the September Council meeting, the Clerk/Treasurer should prepare the information necessary for the resolution authorizing the necessary tax levies. This information should include all current levies from the prior year's resolution with the addition of any new levies. At the September Council meeting, the Village Council should review the information presented by the Clerk/Treasurer for accuracy. Once any necessary changes are made, the Village Council should approve the resolution in an open meeting and should ensure the Clerk/Treasurer forwards the resolution to the County Auditor prior to October 1.

The Village Council did not pass a resolution authorizing the necessary tax levies and certify the levies to the County Auditor for 2006 until October 4, 2005. The County Auditor does not have authority to collect levy monies until the rates and amounts have been certified by the Village. As a result of the late filings, the Village's collection of tax levy revenues for the 2006 fiscal year could have been jeopardized.

We recommend the Village ensure the necessary tax levies are formally approved and certified to the County Auditor timely. The Village management should follow the procedures described above to ensure future compliance.

**Officials Response:** See page 25.

Finding Number	2006-009
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**Noncompliance Citation – Significant Deficiency – Material Weakness**

**Certification of Available Revenue**

**Ohio Rev. Code Section 5705.36** requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units certify to the County Auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

In December of each year, the Clerk/Treasurer should complete the Certificate of Available Revenue. This Certificate is to include the total amount available from all resources and should include the unencumbered fund balance as of December 31 plus estimated receipts for the following year. This Certificate should be presented to Council at the organizational meeting for their review. Once Council has reviewed and approved this Certificate, it should be forwarded to the County Auditor on or about the first day of the year.

The Village did not file its certificate of available revenue for 2006 with the County Auditor. The Village should follow the above procedures to ensure the Certificate is filed in a timely fashion each year.

**Officials Response:** See page 25.

VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS (Continued)  
DECEMBER 31, 2006 AND 2005

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2006-010</b>
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**Noncompliance Citation – Significant Deficiency – Material Weakness**

**Annual Appropriation Measure**

**Ohio Rev. Code Section 5705.38** requires that on or about the first day of each year, an appropriation measure be passed. The Village may pass a temporary appropriation measure to meet their ordinary expenses until April 1, at which time a permanent appropriation measure must be passed.

The Village did not adopt an appropriation resolution for 2005 until February 4, 2005. Without an appropriation resolution, the Village has no authority to expend money. We recommend that Council adopt an appropriation resolution prior to the first day of each year.

**Officials Response:** See page 25.

<b>Finding Number</b>	<b>2006-011</b>
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**Noncompliance Citation – Significant Deficiency – Material Weakness**

**Rubber Stamp Signature**

**Ohio Rev. Code Section 9.10 and 9.11** permits any elected or appointed public official of the state or political subdivision to affix their signature on any check, draft, warrant, voucher, or other instrument for the payment of money by using a facsimile signature. A facsimile signature includes, but is not limited to, the reproduction of any authorized signature by a copper plate or by a photographic, photostatic, or mechanical device, but does not authorize the use of a rubber stamp signature by the official or authorized employee.

The Clerk/Treasurer signs checks and purchase orders by using a rubber stamp. The use and availability of this rubber stamp could lead to unauthorized misappropriation of funds.

We recommend that the Clerk/Treasurer not use a rubber stamp as a facsimile signature and either manually sign all checks or adopt a proper facsimile signature.

**Officials Response:** See page 25.

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS (Continued)  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2006-012</b>
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**Noncompliance Citation – Significant Deficiency – Material Weakness**

**Expenditures Limited by Appropriations**

**Ohio Rev. Code Section 5705.41(B)** prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Actual disbursements exceeded appropriations for the year ended December 31, 2006 at the object level as follows:

<u>Object</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
GF - Police Enforcement - Supplies and Materials	\$6,800	\$8,038	(\$1,238)
GF - Traffic Signals - Contractual Services	0	222	(\$222)
GF - Cultural Facilities - OPERS	200	248	(\$48)
GF - Other Electric - Electricity	0	121	(\$121)
GF - Legislative Activities - Medicare	0	44	(\$44)
SF - Administration Electric - Other Services	0	395	(\$395)
SF - Other Gas - Natural Gas	0	1,000	(\$1,000)
SF - Other Basic Utility Services - Communications	0	605	(\$605)
SF - Street Cleaning - Supplies and Materials	3,200	4,200	(\$1,000)
EF - Contractual Services	0	9,160	(\$9,160)
EF - Debt Service - Redemption of Principal	0	2,500	(\$2,500)

*GF – General Fund, SF – Street Fund, EF – Enterprise Fund*

Actual disbursements exceeded appropriations for year ended December 31, 2005 at the object level as follows:

<u>Object</u>	<u>Appropriations Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
GF - Police Enforcement - Personal Services	\$16,000	\$16,200	(\$200)
GF - Fire Fighting - Other Professional Services	0	540	(\$540)
GF - Property Tax Collections - Auditing Services	2,500	5,887	(\$3,387)
GF - Solicitor - Accounting and Legal Fees	15,000	24,883	(\$9,883)
SF - Street Cleaning - OPERS	400	406	(\$6)
SF - Street Cleaning - Contractual Services	3,500	3,821	(\$321)
SF - Street Cleaning - Supplies and Materials	2,200	2,635	(\$435)
EF - Contractual Services	0	29,440	(\$29,440)
EF - Debt Service - Redemption of Principal	0	2,500	(\$2,500)

*GF – General Fund, SF – Street Fund, EF – Enterprise Fund*

This could result in the Village spending more than is available for expenditure.

VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS (Continued)  
DECEMBER 31, 2006 AND 2005

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

<b>Finding Number</b>
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<b>2006-012 (Continued)</b>
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**Noncompliance Citation – Significant Deficiency – Material Weakness (Continued)**

The Village Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations at the object level. The Village Clerk/Treasurer may request the Council to approve supplemental appropriations or transfers if necessary for expenditures not to exceed appropriations at the legal level of control.

**Officials Response:** See below.

<b>Finding Number</b>
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<b>2006-013</b>
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**Noncompliance Citation – Significant Deficiency – Material Weakness**

**Negative Fund Balance**

**Ohio Rev. Code Section 5705.10** states that money paid into any fund shall be used only for the purposes for which such fund is established. The existence of a deficit balance in any fund indicates that the money from another fund or funds has been used to pay the obligations of fund or funds carrying the deficit balance.

The Village had a negative fund balance in the Enterprise Fund for both 2005 and 2006. This negative balance is due to the sewer project not being completed and the Enterprise Fund is not yet collecting fees to cover the debt associated with the project.

We recommend the Village transfer money from the General Fund to make the debt payments for the Enterprise Fund until the sewer project is completed and fees are being collected.

**Officials Response:** See below.

<b>Officials' Response to Finding Numbers 2006-001 through 2006-013</b>
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The Council, Mayor and the Clerk of Mayor's Court have reviewed these comments. We agree that the accounting processes and record-keeping reflected in this audit demonstrate the weaknesses indicated in this report. In the course of the next few months, the Council and Mayor have agreed to make every effort to take action to correct as many of these weaknesses as possible to ensure better management of the Village finances and records.

VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-VOH-001	Appropriations Exceed Estimated Resources in 2003	Yes	Fully Corrected



**Mary Taylor, CPA**  
Auditor of State

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  
OCTOBER 9, 2007