



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	26

**This page intentionally left blank.**



Mary Taylor, CPA  
Auditor of State

Village of Harrisburg  
Franklin County  
1100 High Street  
P.O. Box 17  
Harrisburg, Ohio 43212

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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

March 12, 2010

**This page intentionally left blank.**



# 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, 2008 and 2007. 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.

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, 2008 and 2007 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, 2008 and 2007, 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, 2008 and 2007, 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 March 12, 2010, 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

March 12, 2010



**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, 2008**

	<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	\$ 3,958	\$ -	\$ 3,958
Municipal Income Tax	41,924	-	41,924
Intergovernmental	52,796	8,107	60,903
Fines, Licenses and Permits	15,449	753	16,202
Earnings on Investments	253	-	253
Miscellaneous	9,951	-	9,951
	<u>124,331</u>	<u>8,860</u>	<u>133,191</u>
<b>Total Cash Receipts</b>			
	<u>124,331</u>	<u>8,860</u>	<u>133,191</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	32,528	-	32,528
Transportation	-	12,114	12,114
General Government	101,581	-	101,581
	<u>134,109</u>	<u>12,114</u>	<u>146,223</u>
<b>Total Cash Disbursements</b>			
	<u>134,109</u>	<u>12,114</u>	<u>146,223</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(9,778)</u>	<u>(3,254)</u>	<u>(13,032)</u>
<b>Other Financing (Disbursements):</b>			
Transfers-Out	(2,500)	-	(2,500)
	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
<b>Total Other Financing (Disbursements)</b>			
	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
<b>Excess of Cash Receipts and Disbursements (Under) and Other Financing Disbursements</b>	<u>(12,278)</u>	<u>(3,254)</u>	<u>(15,532)</u>
<b>Fund Cash Balances, January 1</b>	<u>15,384</u>	<u>33,068</u>	<u>48,452</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 3,106</u></u>	<u><u>\$ 29,814</u></u>	<u><u>\$ 32,920</u></u>

*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 PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Proprietary Fund Types</b>	<b>Fiduciary Fund Types</b>
	<b>Enterprise</b>	<b>Agency</b>
<b>Operating Cash Receipts:</b>		
Total Operating Cash Receipts	\$ -	\$ -
<b>Operating Cash Disbursements:</b>		
Total Operating Cash Disbursements	-	-
Operating Income/(Loss)	-	-
<b>Non-Operating Cash Receipts:</b>		
Fines Collected		21,941
Total Non-Operating Cash Receipts	-	21,941
<b>Non-Operating Cash Disbursements:</b>		
Fines Disbursed	-	21,541
Redemption of Principal	2,500	
Total Non-Operating Cash Disbursements	2,500	21,541
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(2,500)	400
Transfers-In	2,500	
Net Receipts Over/(Under) Disbursements	-	400
Fund Cash Balances, January 1	-	1,812
<b>Fund Cash Balances, December 31</b>	<b>\$ -</b>	<b>\$ 2,212</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, 2007**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 7,737	\$ -	\$ 7,737
Municipal Income Tax	43,845	-	43,845
Intergovernmental	55,431	10,656	66,087
Charges for Services	200	-	200
Fines, Licenses and Permits	10,154	1,524	11,678
Earnings on Investments	489	73	562
Miscellaneous	2,048	-	2,048
	<u>119,904</u>	<u>12,253</u>	<u>132,157</u>
<b>Total Cash Receipts</b>			
	<u>119,904</u>	<u>12,253</u>	<u>132,157</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	32,074	-	32,074
Leisure Time Activities	17	-	17
Transportation	-	11,922	11,922
General Government	71,049	-	71,049
	<u>103,140</u>	<u>11,922</u>	<u>115,062</u>
<b>Total Cash Disbursements</b>			
	<u>103,140</u>	<u>11,922</u>	<u>115,062</u>
<b>Total Receipts Over Disbursements</b>	<u>16,764</u>	<u>331</u>	<u>17,095</u>
<b>Other Financing (Disbursements):</b>			
Transfers-Out	(7,400)	-	(7,400)
	<u>(7,400)</u>	<u>-</u>	<u>(7,400)</u>
<b>Total Other Financing (Disbursements)</b>			
	<u>(7,400)</u>	<u>-</u>	<u>(7,400)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	9,364	331	9,695
Fund Cash Balances, January 1	<u>6,020</u>	<u>32,737</u>	<u>38,757</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 15,384</u></u>	<u><u>\$ 33,068</u></u>	<u><u>\$ 48,452</u></u>

*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 PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Enterprise</b>	<b>Agency</b>
<b>Operating Cash Receipts:</b>		
Total Operating Cash Receipts	\$ -	\$ -
<b>Operating Cash Disbursements:</b>		
Total Operating Cash Disbursements	-	-
Operating Income/(Loss)	-	-
<b>Non-Operating Cash Receipts:</b>		
Collection of Fines	-	17,715
Total Non-Operating Cash Receipts	-	17,715
<b>Non-Operating Cash Disbursements:</b>		
Debt payment	2,500	
Distribution of Fines		22,519
Total Non-Operating Cash Disbursements	2,500	22,519
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(2,500)	(4,804)
Transfers-In	7,400	
Net Receipts Over/(Under) Disbursements	4,900	(4,804)
Fund Cash Balances, January 1	(4,900)	6,616
<b>Fund Cash Balances, December 31</b>	<b>\$ -</b>	<b>\$ 1,812</b>

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

**THE VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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.

**THE VILLAGE HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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 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.

**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 re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**THE VILLAGE HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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:

	2008	2007
Demand Deposits-Governmental	\$32,920	\$48,452
Demand Deposits-Agency	2,212	1,812
Total deposits	35,132	50,264

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$124,331	\$124,331
Special Revenue	0	8,860	8,860
Enterprise	0	2,500	2,500
Total	\$0	\$135,691	\$135,691

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$136,609	(\$136,609)
Special Revenue	0	12,114	(12,114)
Enterprise	0	2,500	(2,500)
Total	\$0	\$151,223	(\$151,223)

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,392	\$119,904	(\$10,488)
Special Revenue	51,119	12,253	(38,866)
Enterprise	0	7,400	7,400
Total	\$181,511	\$139,557	(\$41,954)

**THE VILLAGE HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,392	\$110,540	\$1,852
Special Revenue	13,330	11,922	1,408
Enterprise	0	2,500	(2,500)
Total	\$125,722	\$124,962	\$760

Contrary to Ohio law the Village did not create or adopt a budget for appropriations or file a certificate of resources for 2008. In addition, the Village did not pass a resolution authorizing the necessary tax levies and certify the levies to the County Auditor for 2008 until October 2, 2007 and for 2007 until October 3, 2006.

These compliance violations also lead to expenditures exceeding appropriations at the object level for Security of Persons and Property and General Government, in 2008 for the General, for transportation in Special Revenue and Redemption of Principal in the Enterprise fund for 2008. In addition expenditures exceed appropriations at the object level for Security of Persons and Property in 2007 for the General Fund..

**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.

**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 and residents 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.



**THE VILLAGE HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2008 was as follows:

Debt outstanding at December 31, 2008 and 2007 are as follows:

	Balance Outstanding <u>12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>12/31/08</u>	Amounts Due in <u>One Year</u>
<b>Loan Outstanding at 12/31/08</b>					
OWDA Planning Loan	\$ 15,000	\$ -	\$ (2,500)	\$ 12,500	\$ 2,500
OWDA Project Loan	\$ 173,214	-	-	\$ 173,214	-
	Balance Outstanding <u>12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>12/31/07</u>	Amounts Due in <u>One Year</u>
<b>Loan Outstanding at 12/31/05</b>					
OWDA Planning Loan	\$ 17,500	\$ -	\$ (2,500)	\$ 15,000	\$ 2,500
OWDA Project Loan	173,214	-	-	\$ 173,214	-

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>
2009	\$2,500
2010	2,500
2011	2,500
2012	2,500
2013	<u>2,500</u>
Total	<u>\$12,500</u>

**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 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an **amount equaling 14% and 13.85%**, respectively, of participants' gross salaries. The Village has paid all required contributions required through December 31, 2008.

**THE VILLAGE HARRISBURG  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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**

Subsequent to year end the Village began construction on their water and sewer project. They were awarded funds under ARRA to assist the project. As of December 31, 2009 they have spent \$65,000 on the water/sewer project. The District has spent another \$540,000 in 2010.



# 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  
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, County, (the Village) as of and for the year ended December 31, 2008 and 2007, and have issued our report thereon dated March 12, 2010, 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 note the Village used 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 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 findings 2008-001 thru 2008-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe findings 2008-001 thru 2008-004 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 or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-004 thru 2008-010.

In addition we noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated March 12, 2010.

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, audit committee and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 12, 2010

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

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

<b>Finding Number</b>	<b>2008-001</b>
-----------------------	-----------------

**Material Weakness – Financial Reporting**

The Village utilizes UAN for their accounting records but with limited monitoring over cash transactions. The Clerk uses UAN to file required annual financial statements on the cash basis permitted by the Auditor of State.

In 2007 four audit adjustments and reclassifications were needed to accurately reflect receipts and expenditures on the 2007 financial statements. These adjustments ranged in dollar amount from \$7 to \$73,521. In 2008 four audit adjustments and reclassifications were needed to accurately reflect receipts and expenditures on the 2008 financial statements. These adjustments ranged from \$7 to \$36,239. The adjustments and reclassifications included intergovernmental revenue, reclassification of expenditures, and cash reconciliations. See finding 2008-002.

The Village has posted the adjustments and reclassifications to their accounting records and financial statements.

We recommend the Village implement additional internal control procedures to ensure the accuracy and completeness of transactions and the annual financial reports. The internal control procedures can include additional review of financial statements, revenue ledgers, and expenditures ledgers by an outside party and/or using analytical reviews for comparison of current year to prior year numbers.

**Officials Response:** See Page 25 for officials response

<b>Finding Number</b>	<b>2008-002</b>
-----------------------	-----------------

**Material Weakness  
Bank Reconciliations and Monitoring**

The Village Clerk and the Mayor’s court Clerk should perform monthly bank to book reconciliations to ensure all receipts and expenditures are accounted for and properly recorded in the accounting system. Reconciling items, including outstanding checks, deposits in transit, and other reconciling items should be evaluated with the reconciliation for accuracy purposes to ensure financial statements information is presented to Village Council’s review is accurate.

Our audit procedures revealed 18 of the 24 bank reconciliations performed by the Village Clerk had unexplained adjusting factors in the Village operating account reconciliation and there were no Mayor’s Court bank reconciliations performed for 2007. Further, there were no indications that the reconciliations performed were being reviewed by the governing board. Our audit procedures identified unexplained adjusting factors resulting in adjustments of \$20,049 in 2008 and \$7,940 in 2007.

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

<b>Finding Number</b>	<b>2008-002 (Continued)</b>
-----------------------	-----------------------------

**Material Weakness**  
**Bank Reconciliations and Monitoring – (Continued)**

Failure to record required accounting adjustments and preparation/review of formal bank reconciliations by management could lead to misappropriation of assets or, errors and irregularities could occur and not be detected in a timely manner by management. Informal unapproved bank reconciliations could also result in the Council making improper financial decisions.

The Village has posted the required adjustments to their accounting records and financial statements. .

We recommend the Village complete formal bank reconciliations for their general and mayor’s court accounts. If there are reconciling items, the respective Clerk’s should determine the accuracy of these items and update the accounting systems and records timely. The Council could then monitor the Village’s monthly financial activity, determine their respective cash position and make sound decisions. . Reconciliations should be reviewed by the governing body on a monthly basis and formally approved attesting to their accuracy and completeness and noted in the monthly minute meeting.

**Officials Response:** See Page 25 for officials response

<b>Finding Number</b>	<b>2008-003</b>
-----------------------	-----------------

**Material Weakness**  
**Deficient Accounting Records – OAC 117-2-02**

Ohio Admin. Code Section 117-2-02 (A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. It also states that the management of each local public office is responsible for the assertions underlying the information in the public office’s financial statements.

The Village’s accounting system and accounting records were deficient, as follows:

- **Expenditure Records:** Invoices or other initial source documentation for billing were not maintained in the voucher files for 25 percent of non-payroll expenditures tested. Additional corroboration was required to verify the purpose. In addition, 15 percent of expenditures were posted to the wrong account codes.
- **Receipt Records:** There were three receipts in 2007 and three in 2008 that were not posted in the accounting system. This created a time-consuming process to test all receipts and cash for the audit period.

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

<b>Finding Number</b>	<b>2008-003 (Continued)</b>
-----------------------	-----------------------------

Personnel files did not include the 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. Therefore making it difficult to determine each employee's authorized salary and the department and fund their salary was supposed to be charged.

As a result of these above conditions, audit adjustments to the financial statements were required. (See Finding 2008-001 for further details);

We recommend the Village maintain an accounting system and accounting records sufficient to enable it to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the Administrative Code. We also 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 for officials response

<b>Finding Number</b>	<b>2008-004</b>
-----------------------	-----------------

**Material Noncompliance/Material Weakness (Court Docket)**

**Ohio Rev. Code Section 1905.21** requires a Mayor's Court to maintain a docket. This docket shall account for and dispose of all such fines, forfeitures, fees, and costs the Mayor collects.

Although the Mayor maintained the required Mayor's Court docket, the Mayor's Court docket contained inaccurate receipt numbers, case numbers and fines. In addition, 20 % percent of the transactions tested from the cash book to the court docket contained errors, while 17 % percent of transactions tested from the court docket to the case-ticket file contained errors. Eight percent of the transactions tested from the court docket to the initial receipts also contained errors. Although the final disposition of all collections posted appeared to be properly submitted to the Village, this weakness has resulted in errors occurring and going undetected by management.

We recommend once the monthly activities have been posted by the Mayor's court clerk, the Mayor should review and subsequently initial and date the docket as evidence the Mayor's Court docket was reviewed for accurate receipt numbers, case numbers, reconciliations and fines. This will help ensure errors or irregularities are detected timely.

**Officials Response:** See Page 25 for officials response

VILLAGE OF HARRISBURG  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)

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

Finding Number	2008-005
----------------	----------

**Material Noncompliance - 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.

Forty-seven 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  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

<b>Finding Number</b>	<b>2008-005 (Continued)</b>
-----------------------	-----------------------------

**Material Noncompliance - 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 for officials response

<b>Finding Number</b>	<b>2008-006</b>
-----------------------	-----------------

**Material Non-Compliance**

**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.

Ohio Rev. Code 5705.38(C) states that for subdivisions other than schools, appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

Ohio Admin. Code 117-2-02(C)-(1) states in part, the legal level of control is the level (e.g. fund, program or function, department, object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

The Village did not adopt an appropriation resolution for 2008. This appropriation measure should included the legal level of control. 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. We also recommend Village Council approve all annual appropriation measures and amendments to the object level of control within the funds of the Village.

**Officials Response:** See Page 25 for officials response

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

<b>Finding Number</b>	<b>2008-007</b>
-----------------------	-----------------

**Material Non-Compliance - 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 in each 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 2008 until October 2, 2007 and for 2007 until October 3, 2006. 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 2008 and 2007 fiscal years 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 for officials response

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

<b>Finding Number</b>	<b>2008-008</b>
-----------------------	-----------------

**Material Non-Compliance - 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 should include the total amount available from all resources and the unencumbered fund balance as of December 31 plus estimated receipts for the following year.

The Village did not file its certificate of available revenue for 2008 with the County Auditor. We recommend this Certificate 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 above will help ensure the Village has the Certificate is filed in a timely fashion each year.

**Officials Response:** See page 25 for officials response

<b>Finding Number</b>	<b>2008-009</b>
-----------------------	-----------------

**Material Non-Compliance - Expenditures Exceeding Appropriations – ORC 5705.41(B)**

**Ohio Rev. Code Section 5705.41(B)** prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Village is the level at which Council adopts the original appropriation measure.

The Village failed to file an original appropriation measure in 2008. The Village did file an original appropriation measure in 2007.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2008 and 2007 at the fund level as follows:

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

<b>Finding Number</b>	<b>2008-009 (Continued)</b>
-----------------------	-----------------------------

**Material Non-Compliance - Expenditures Exceeding Appropriations – ORC 5705.41(B) (Continued)**

2008

Fund	Object Code	Appropriations	Expenditures	Variance
General Fund	Security of Persons & Property	-	32,528	(32,528)
	General Government	-	101,581	(101,581)
Special Reveune	Transportation	-	12,114	(12,114)
Enterprise	Redemption of Principal	-	2,500	(2,500)

2007

General Fund	Security of Persons & Property	27,200	32,074	(4,874)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Finance Director may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary

**Officials Response:** See Page 25 for officials response

**VILLAGE OF HARRISBURG  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

<b>Finding Number</b>	<b>2008-010</b>
-----------------------	-----------------

**Noncompliance Citation  
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.

Village Council did not adopt the 2008 tax budget until October 2, 2007 and did not adopt the 2007 tax budget until October 3, 2006. Late adoption of the tax budgets could result in 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 for officials response

<b>Officials' Response to Finding Numbers 2008-001 through 2008-010</b>
---

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, 2008 AND 2007**

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>
2006-001	Financial Reporting	No	Repeated as 2008-001
2006-002	Personnel Files	No	Repeated as 2008-003
2006-003	Mayor's Court – Reconciliation	No	Repeated as 2008-002
2006-004	Ohio Revised Code § 5705.41(D)(1) – Prior Certification of Funds	No	Repeated as 2008-005
2006-005	Ohio Revised Code § 9.38 - Mayor's Court – Timely Deposits	NoYes	Partially corrected. Repeated in the management letter.
2006-006	Ohio Revised Code § 733.40 - Mayor's Court – Disposition of Fines	Yes	
2006-007	Ohio Revised Code § 5705.28(A)(2) – Adoption of a Tax Budget	No	Repeated as 2008-010
2006-008	Ohio Revised Code § 5705.34 – Certifying Tax Levies	No	Repeated as 2008-007
2006-009	Ohio Revised Code § 5705.36 – Certification of Available Revenue	No	Repeated as 2008-008
2006-010	Ohio Revised Code § 5705.38 – Annual Appropriation Measure	No	Repeated as 2008-006
2006-011	Ohio Revised Code § 9.10 and 9.11 – Rubber Stamp Signature	Yes	
2006-012	Ohio Revised Code § 5705.41(B) – Expenditures Limited by Appropriations	No	Repeated as 2008-009
2006-013	Ohio Revised Code § 5705.10 – Negative Fund Balance	Yes	



**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  
MAY 11, 2010**