

VILLAGE OF HARRISVILLE

AUDIT REPORT

JANUARY 1, 2015 - DECEMBER 31, 2016



Dave Yost • Auditor of State

Village Council
Village of Harrisville
PO Box 249
Harrisville, Ohio 43974

We have reviewed the *Independent Auditor's Report* of the Village of Harrisville, Harrison County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 23, 2017

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**VILLAGE OF HARRISVILLE
HARRISON COUNTY
JANUARY 1, 2015 - DECEMBER 31, 2016**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Harrisville, Harrison County, as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Harrisville as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Harrisville, Harrison County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2017, on our consideration of the Village of Harrisville'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. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 27, 2017

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Taxes	\$ 5,718	\$ 4,537	\$ -	\$ -	\$ 10,255
Intergovernmental	21,254	12,840	-	-	34,094
Charges for Services	4,743	-	-	-	4,743
Earnings on Investments	3	2	-	-	5
Miscellaneous	116	-	-	-	116
Total Cash Receipts	<u>31,834</u>	<u>17,379</u>	<u>-</u>	<u>-</u>	<u>49,213</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	9,168	-	-	-	9,168
Leisure Time Activities	2,252	-	-	-	2,252
Transportation	-	8,467	-	-	8,467
General Government	19,250	1,000	-	-	20,250
Debt Service:					
Principal Retirement	917	-	26,363	-	27,280
Total Cash Disbursements	<u>31,587</u>	<u>9,467</u>	<u>26,363</u>	<u>-</u>	<u>67,417</u>
Excess Cash Receipts Over/(Under) Cash Disbursements	247	7,912	(26,363)	-	(18,204)
Other Financing Receipts (Cash Disbursements)					
Transfers In	-	-	26,363	-	26,363
Other Financing (Uses)	(241)	(271)	-	-	(512)
Total Other Financing Receipts (Cash Disbursements)	<u>(241)</u>	<u>(271)</u>	<u>26,363</u>	<u>-</u>	<u>25,851</u>
Net Change in Fund Cash Balance	6	7,641	-	-	7,647
Fund Cash Balances, January 1	<u>1,138</u>	<u>25,491</u>	<u>-</u>	<u>8,309</u>	<u>34,938</u>
Fund Cash Balances, December 31					
Restricted	-	33,132	-	8,309	41,441
Unassigned (Deficit)	1,144	-	-	-	1,144
Fund Cash Balances, December 31	<u>\$ 1,144</u>	<u>\$ 33,132</u>	<u>\$ -</u>	<u>\$ 8,309</u>	<u>\$ 42,585</u>

See notes to financial statements.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Taxes	\$ 4,987	\$ 2,496	\$ -	\$ 7,483
Intergovernmental	23,382	13,282	-	36,664
Charges for Services	3,823	-	-	3,823
Earnings on Investments	3	2	-	5
Miscellaneous	443	-	-	443
Total Cash Receipts	<u>32,638</u>	<u>15,780</u>	<u>-</u>	<u>48,418</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	11,923	-	-	11,923
Public Health Services	184	-	-	184
Leisure Time Activities	3,996	-	-	3,996
Transportation	-	7,194	-	7,194
General Government	23,087	2,500	-	25,587
Capital Outlay	-	2,000	223,047	225,047
Debt Service:				
Principal Retirement	917	-	183,518	184,435
Total Cash Disbursements	<u>40,107</u>	<u>11,694</u>	<u>406,565</u>	<u>458,366</u>
Excess Cash Receipts Over/(Under) Cash Disbursements	(7,469)	4,086	(406,565)	(409,948)
Other Financing Receipts (Cash Disbursements)				
Other Debt Proceeds	-	-	223,047	223,047
Other Financing (Sources)	-	-	221,061	221,061
Other Financing (Uses)	(650)	(358)	(37,543)	(38,551)
Total Other Financing Receipts (Cash Disbursements)	<u>(650)</u>	<u>(358)</u>	<u>406,565</u>	<u>405,557</u>
Net Change in Fund Cash Balance	(8,119)	3,728	-	(4,391)
Fund Cash Balances, January 1	<u>9,257</u>	<u>21,763</u>	<u>8,309</u>	<u>39,329</u>
Fund Cash Balances, December 31				
Restricted	-	25,491	8,309	33,800
Unassigned (Deficit)	1,138	-	-	1,138
Fund Cash Balances, December 31	<u>\$ 1,138</u>	<u>\$ 25,491</u>	<u>\$ 8,309</u>	<u>\$ 34,938</u>

See notes to financial statements.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Enterprise Fund	
	2016	2015
Operating Cash Receipts:		
Charges for Services	\$ 59,641	\$ 44,937
Miscellaneous	697	7,165
Total Operating Cash Receipts:	<u>60,338</u>	<u>52,102</u>
Operating Cash Disbursements:		
Personal Services	5,378	5,275
Fringe Benefits	386	477
Contractual Services	30,555	27,793
Supplies and Materials	8,147	4,308
Total Operating Cash Disbursements	<u>44,466</u>	<u>37,853</u>
Operating Income	15,872	14,249
Non-Operating Cash Receipts (Disbursements):		
Capital Outlay	-	(75,719)
Other Financing Sources	3,424	79,085
Other Financing Uses	(5,314)	(5,559)
Total Non-Operating Cash Disbursements	<u>(1,890)</u>	<u>(2,193)</u>
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	13,982	12,056
Transfers Out	<u>(26,363)</u>	<u>-</u>
Net Change in Fund Cash Balance	(12,381)	12,056
Fund Cash Balances, January 1	<u>17,077</u>	<u>5,021</u>
Fund Cash Balances, December 31	<u><u>\$ 4,696</u></u>	<u><u>\$ 17,077</u></u>

See notes to financial statements.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Harrisville, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, park operations and sewer utilities. The Village contracts with Harrisville Volunteer Fire Department to provide fire protection services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund.

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

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Other Debt Service – This fund is used to accumulate resources and make payments on outstanding debt of the Village.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Ohio Water Development Authority (OWDA) Fund – This fund receives loan proceeds from the Ohio Water Development Authority (OWDA). The proceeds are being used to construct a new waste water treatment system.

Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated in the subsequent year.

A summary of 2016 and 2015 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Property, Plant, and Equipment

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

Accumulated Leave

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

3. COMPLIANCE

Contrary to ORC Section 5705.41 (D), the Village had expenditures made prior to certification on 70% of disbursements tested.

Contrary to ORC Section 5705.41 (B), all expenditures exceeded appropriation authority.

Contrary to ORC Section 5705.38 (A), appropriation measures were not passed.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2016 and 2015 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 52,608	\$ 31,834	\$ (20,774)
Special Revenue	12,100	17,379	5,279
Debt Service	24,550	26,363	1,813
Capital Projects	50,000	-	(50,000)
Enterprise	-	63,762	63,762
Total	\$ 139,258	\$ 139,338	\$ 80

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 31,828	\$ (31,828)
Special Revenue	-	9,738	(9,738)
Debt Service	-	26,363	(26,363)
Enterprise	-	76,143	(76,143)
Total	\$ -	\$ 144,072	\$ (144,072)

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

4. BUDGETARY ACTIVITY (Continued)

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 52,558	\$ 32,638	\$ (19,920)
Special Revenue	12,100	15,780	3,680
Debt Service	920	-	(920)
Capital Projects	500,000	444,108	(55,892)
Enterprise	18,300	131,187	112,887
Total	\$ 583,878	\$ 623,713	\$ 39,835

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 40,757	\$ (40,757)
Special Revenue	-	12,052	(12,052)
Capital Projects	-	444,108	(444,108)
Enterprise	-	119,131	(119,131)
Total	\$ -	\$ 616,048	\$ (616,048)

5. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2016	2015
Demand Deposits	\$ 47,281	\$ 52,015
Total Deposits	\$ 47,281	\$ 52,015

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institutions public entity deposit pool.

6. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payments, the first half is due by December 31. The second half payment is due the following June 20.

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

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant’s gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

Several Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

9. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

10. DEBT

Debt outstanding at December 31, 2016 was as follows:

	2016 Principal	%
Ohio Public Works Commission Loan	\$ 9,627	0.000
Ohio Water Development Authority Loan	245,655	0.000
Total	\$ 255,282	

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

10. DEBT (Continued)

The Ohio Public Works Commission (OPWC) Loan relates to the storm sewer replacement projects. The OPWC approved up to \$19,000 for this project, of which \$18,336 was borrowed. The Village will repay the loan in semiannual installments of \$458 over 20 years. Prior to 2014, the loan was paid from the General Fund. In 2014, the loan was repaid from the Sewer Operating Fund. Starting in 2015, the loan will be paid from the General Fund. The Village's taxing authority collateralized the note.

The Village entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new sewer treatment system. The total cost of the project is approximately \$2,609,029. As of December 31, 2016, \$2,449,773 has been disbursed and \$2,204,118 has been paid through actual cash disbursements or loan forgiveness agreements. Regular payments will begin in 2020 based on total amount borrowed. An amortization schedule is not available at this time. The Village's taxing authority collateralized the loan.

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

<u>Year Ending December 31;</u>	<u>OPWC</u>
2017	\$ 917
2018	917
2019	917
2020	917
2021	917
2022-2026	4,584
2027-2031	458
Total	<u>\$ 9,627</u>

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

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

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Harrisville, Harrison County as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 27, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Harrisville's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider Findings 2016-001, 2016-003, 2016-004 and 2016-005 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Harrisville'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, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001, 2016-002, and 2016-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 27, 2017

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.38(A) states that on or about the first day of the fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of an annual appropriation measure until an amended certificate is received from the County Budget Commission based on the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.

For 2015, permanent appropriations were approved in the minutes, however, signed copies were not presented for audit. The 2015 permanent appropriations were not filed with the County Auditor.

For 2016, temporary appropriations were approved in the minutes, however, no detail was listed in the minutes and signed copies were not presented for audit. Further, permanent appropriations were not approved in the minutes for 2016 nor were the 2016 appropriations filed with the County Auditor.

Without the benefit of a permanent appropriation resolution being approved in 2015 or 2016; expenditures exceeded appropriations for all funds in both years.

We recommend the Fiscal Officer ensure its annual appropriation resolution is passed in a timely manner. The annual appropriation resolution should be signed by Council and maintained by the Fiscal Officer or attached to the minutes and filed with the County Auditor. If Council passes a temporary appropriation measure, the measure should provide detail such as fund, function and object and amount and signed copies should be maintained by the Fiscal Officer and presented for audit. Also, the Fiscal Officer should deny requests for payments when appropriations are not available.

Client Response: We have received no response from the Village.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-002

Noncompliance

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority 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.

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.

- 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 can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts 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 the expenditures by the Village.
- Blanket Certificates. Fiscal Officers may prepare "blanket" certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to the purchase commitment for 70% of expenditures tested for the audit period. For these items the Village also did not prepare blanket certificates, super blankets certificates or "then and now" certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We have received no response from the Village.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-003

Material Weakness

As a result of audit procedures performed, errors were noted in the Village's financial statements that required adjustment and reclassifications as follows:

Adjustments

- In 2015, adjustments were made to report \$223,047 in Other Debt Proceeds and \$223,047 in Capital Outlay in the Capital Projects Sewer Project Fund.
- In 2015, adjustments were made to report \$183,518 in Principal Retirement and \$183,518 in Other Financing Sources in the Capital Projects Sewer Project Fund.

Reclassifications

- In 2015, debt payments in the amount of \$917 were reclassified from Interest and Fiscal Charges to Principal Retirement in the General Fund.
- In 2015, UAN fees in the amount of \$618 were reclassified from Leisure Time Activities to General Government Disbursements within the General Fund.
- In 2015, a tractor purchase in the amount of \$2,000 was reclassified from Transportation to Capital Outlay within the Street Construction, Maintenance and Repair Fund.
- In 2015, contract work in the amount of \$284 was reclassified from Other Financing Uses to Transportation Disbursements within the Street Construction, Maintenance and Repair Fund.
- In 2015, sewer plant construction costs in the amount of \$75,719 were reclassified from Other Financing Uses to Capital Outlay within the Sewer Fund.
- In 2015, contractual services in the amount of \$5,000 were reclassified from Other Financing Uses to Contractual Services disbursements within the Sewer Fund.
- In 2016, contract labor in the amount of \$697 was reclassified from Other Financing Uses to Transportation within the Street Construction, Maintenance and Repair Fund.

As a result, the Village's financial statements originally presented for audit were inaccurate and materially misstated. Sound financial reporting is the responsibility of the Village and is essential to ensure the information provide to readers of the financial statements is complete and accurate.

To help ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions. The Village should also refer to the UAN Accounting Training manual for additional guidance in recording receipts and expenditures in the UAN system. In addition, the Village should review the financial statements at year end prior to submission for audit.

The Village's financial statements and accounting system have been adjusted accordingly.

Client Response: We have received no response from the Village.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-004

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

All expenditures for 2015 and 2016 exceeded appropriation authority due to the that permanent appropriations were not passed for either year.

We recommend Council compare expenditures versus appropriation authority throughout the year. Also, Council should not approve expenditures greater than appropriations. This can result in the Village spending more money than it appropriated and could cause possible negative fund balances.

Client Response: We have received no response from the Village.

FINDING NUMBER 2016-005

Material Weakness

All local public offices should integrate the budgetary accounts at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2015, appropriations in the Village’s ledgers did not agree to the amounts approved by Council for the following funds:

	Appropriations Per Village Accounting System	Appropriations Per Council	Variance
General	\$ 62,108	\$ -	\$ 62,108
Street Construction	18,345	-	18,345
State Highway	4,224	-	4,224
OWDA	508,309	-	508,309
Sewer	120,904	-	120,904

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-005 (Continued)

At December 31, 2015, estimated receipts in the Village's ledgers did not agree to the amounts approved by the Budget Commission for the following funds:

	Estimated Receipts	Estimated Receipts	
	Approved by the	Per Village's	
Fund	Budget Commission	Accounting System	Variance
General	\$ 52,558	\$ 52,894	\$ (336)
Street Construction	10,000	10,802	(802)
State Highway	2,100	2,205	(105)
Debt Retirement	920	-	920
Sewer	18,300	39,184	(20,884)

At December 31, 2016, appropriations in the Village's ledgers did not agree to the amounts approved by Council for the following funds:

	Appropriations Per	Appropriations	
	Village Accounting	Per	
Fund	System	Council	Variance
General	\$ 58,028	\$ -	\$ 58,028
Street Construction	16,545	-	16,545
State Highway	3,924	-	3,924
Debt Retirement	26,363	-	26,363
OWDA	1	-	1
Sewer	112,546	-	112,546

At December 31, 2016, estimated receipts in the Village's ledgers did not agree to the amounts approved by the Budget Commission for the following funds:

	Estimated Receipts	Estimated Receipts	
	Approved by the	Per Village's	
Fund	Budget Commission	Accounting System	Variance
General	\$ 52,608	\$ 61,369	\$ (8,761)
Street Construction	10,000	14,152	(4,152)
State Highway	2,100	3,005	(905)
Debt Retirement	24,550	26,363	(1,813)
OWDA	50,000	1	49,999
Sewer	-	96,505	(96,505)

Client Response: We have received no response from the Village.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2016**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-01	ORC 5705.41(D) certification of expenditures	No	Not Corrected Repeated as Finding 2016-002
2014-02	ORC 5705.39 appropriations exceeding estimated resources	Yes	Finding No Longer Valid
2014-03	Material Weakness Adjustments and reclassifications of transactions	No	Not Corrected Repeated as Finding 2016-003



Dave Yost • Auditor of State

VILLAGE OF HARRISVILLE

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 5, 2017