

Village of Hanging Rock  
Lawrence County, Ohio

Regular Audit

For the years ended December 31, 2008 and 2007  
Fiscal Years Audited Under GAGAS: 2008



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Hanging Rock  
100 Scioto Ave  
Hanging Rock, OH 45638

We have reviewed the *Independent Auditor's Report* of the Village of Hanging Rock, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 to December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

### **Finding for Recovery – Repaid Under Audit**

Ohio Revised Code Section 2743.70(A)(1) states the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the following sum as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:

- (a) Thirty dollars, if the offense is a felony;
- (b) Nine dollars, if the offense is a misdemeanor.

The court shall not waive the payment of the thirty or nine dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender. All such moneys shall be transmitted on the first business day of each month by the clerk of the court to the Treasurer of State and deposited by the Treasurer in the Reparations Fund.

Village Council  
Village of Hanging Rock  
100 Scioto Ave  
Hanging Rock, OH 45638  
Page -2-

Ohio Revised Code Section 2949.091(A)(1) state the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the Treasurer of State and deposited by the Treasurer of State into the General Revenue Fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

The Mayor's Court collected the additional costs identified above during 2007 and 2008 and did not remit these costs to the Treasurer of State, in the total amount of \$482. The total due to the Reparations Fund (Victims of Crime) was \$182 and the total due the General Revenue Fund was \$300.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against the Village of Hanging Rock Mayor's Court, in the amount of \$482, and in favor of the Treasurer of State Reparations Fund in the amount of \$182 and the General Revenue Fund in the amount of \$300.

On September 2, 2009, the Village of Hanging Rock Mayor's Court issued check number 692 in the amount of \$182 and check number 693 in the amount of \$300 to the Treasurer of State. This finding is considered repaid in full.

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 Hanging Rock is responsible for compliance with these laws and regulations.



Mary Taylor, CPA  
Auditor of State

October 9, 2009

Village of Hanging Rock  
Lawrence County, Ohio  
For the Years Ended December 31, 2008 and 2007  
Table of Contents

Title	Page
Independent Auditor's Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – All Governmental Fund Types - For the Year Ended December 31, 2008 .....	3
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – Agency Fund - For the Year Ended December 31, 2008 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – All Governmental Fund Types - For the Year Ended December 31, 2007 .....	5
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance – Agency Fund - For the Year Ended December 31, 2007 .....	6
Notes to the Financial Statements.....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	16

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Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Village Council  
Village of Hanging Rock  
Lawrence County  
100 Scioto Avenue  
Hanging Rock, Ohio 45638

We have audited the accompanying financial statements of Village of Hanging Rock, Lawrence 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. We believe our audit provides a reasonable basis for our opinion.

As discussed 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.

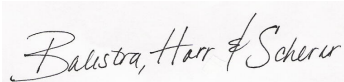
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position 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 Village of Hanging Rock, Lawrence County, 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.

Village of Hanging Rock  
Lawrence County  
Independent Auditors' Report

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 June 30, 2009, 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.



Balestra, Harr & Scherer, CPAs, Inc.

June 30, 2009

**Village of Hanging Rock, Lawrence County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2008*

	<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	\$ 4,313	\$ -	\$ 4,313
Intergovernmental	17,710	12,524	30,234
Fines, Licenses, and Permits	178,000	12,941	190,941
Earnings on Investments	6	2	8
Miscellaneous	3,186	-	3,186
	<u>203,215</u>	<u>25,467</u>	<u>228,682</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	147,019	-	147,019
Transportation	-	5,532	5,532
General Government	58,189	6,930	65,119
Debt Service:			
Redemption of Principal	13,016	-	13,016
Interest and Fiscal Charges	447	-	447
	<u>218,671</u>	<u>12,462</u>	<u>231,133</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(15,456)	13,005	(2,451)
<b>Other Financing Receipts and (Disbursements):</b>			
Other Sources	282	-	282
Other Uses	(11,475)	(3,046)	(14,521)
	<u>(11,193)</u>	<u>(3,046)</u>	<u>(14,239)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,649)	9,959	(16,690)
Fund Cash Balances, January 1	43,515	13,789	57,304
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 16,866</u></u>	<u><u>\$ 23,748</u></u>	<u><u>\$ 40,614</u></u>

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



**Village of Hanging Rock, Lawrence County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Agency Fund*  
*For the Year Ended December 31, 2008*

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	<u>Agency</u>
<b>Non-Operating Cash Receipts/Disbursements</b>	
Other Non-operating Receipts	236,461
Other Non-operating Disbursements	<u>(234,419)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	<u>2,042</u>
Fund Cash Balances, January 1	<u>26,918</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 28,960</u></u>

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

**Village of Hanging Rock, Lawrence County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*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	\$ 3,948	\$ -	\$ 3,948
Intergovernmental	17,667	12,366	30,033
Fines, Licenses, and Permits	188,401	13,090	201,491
Earnings on Investments	217	41	258
Miscellaneous	6,113	-	6,113
	<u>216,346</u>	<u>25,497</u>	<u>241,843</u>
Total Cash Receipts	216,346	25,497	241,843
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	167,693	-	167,693
Transportation	-	17,043	17,043
General Government	66,137	20,000	86,137
Capital Outlay	27,911	-	27,911
Debt Service:			
Redemption of Principal	5,907	-	5,907
Interest and Fiscal Charges	493	-	493
	<u>268,141</u>	<u>37,043</u>	<u>305,184</u>
Total Cash Disbursements	268,141	37,043	305,184
Total Cash Receipts Over/(Under) Cash Disbursements	(51,795)	(11,546)	(63,341)
<b>Other Financing Receipts and (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Sale of Notes	18,911	-	18,911
Sale of Fixed Assets	2,110	-	2,110
Other Sources	8,248	-	8,248
Other Uses	(16,996)	(5,000)	(21,996)
	<u>12,273</u>	<u>(5,000)</u>	<u>7,273</u>
Total Other Financing Receipts/(Disbursements)	12,273	(5,000)	7,273
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(39,522)	(16,546)	(56,068)
Fund Cash Balances, January 1	83,037	30,335	113,372
<b>Fund Cash Balances, December 31</b>	<u>\$ 43,515</u>	<u>\$ 13,789</u>	<u>\$ 57,304</u>

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

**Village of Hanging Rock, Lawrence County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Agency Fund*  
*For the Year Ended December 31, 2007*

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	<u>Agency</u>
<b>Non-Operating Cash Receipts/Disbursements</b>	
Other Non-operating Receipts	226,855
Other Non-operating Disbursements	<u>(229,441)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(2,586)
Fund Cash Balances, January 1	<u>29,504</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 26,918</u></u>

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

**VILLAGE OF HANGING ROCK  
LAWRENCE 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 Hanging Rock, Lawrence County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including maintenance of roads and police services.

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. The 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 Deposit**

The Village values cash at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for the 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 license tax money for constructing, maintaining, and repairing Village streets.

State Highway Fund – This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village highways.

Mayor's Court Computerization Fund – This fund receives fees assessed by the Mayor's Court to assist in purchasing computer related items for the Mayor's Court.

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

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

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

**D. Fund Accounting (Continued)**

**3. Fiduciary Funds (Agency Fund)**

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 the activities of the Village's Mayor's Court.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control 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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The encumbrances outstanding at year end were canceled, and reappropriated in the subsequent year.

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

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

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

**2. Equity in Pooled Cash and Investments**

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

	2008	2007
Demand deposits	\$69,574	\$84,222
Total deposits	\$69,574	\$84,222

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by financial institution's public entity deposit pool.

**3. Budgetary Activity**

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

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$219,829	\$203,497	(\$16,332)
Special Revenue	17,640	25,467	7,827
Total	\$237,469	\$228,964	(\$ 8,505)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenses	Actual Expenses	Variance
General	\$262,976	\$230,146	\$32,830
Special Revenue	19,576	15,508	4,068
Total	\$282,552	\$245,654	\$36,898

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$257,448	\$245,615	(\$11,833)
Special Revenue	34,350	25,497	(8,853)
Total	\$291,798	\$271,112	(\$20,686)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenses	Actual Expenses	Variance
General	\$314,529	\$285,137	\$29,392
Special Revenue	80,780	42,043	38,737
Total	\$395,309	\$327,180	\$68,129

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

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

**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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to 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. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS), with the exception of two council members who pay directly into Social Security. OP&F and OPERS are cost-sharing, multiple-employer plans. 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, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. 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 13.77%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**6. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**7. Noncompliance**

Contrary to Ohio law, the Village did not remit all Mayor Court funds to the proper entities. The Village did not pass an appropriation measure timely. The Village did not proper certification before making expenditures. The Village also did not certify appropriations with County Auditor.

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## **Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards***

Village Council  
Village of Hanging Rock  
Lawrence County  
100 Scioto Avenue  
Hanging Rock, Ohio 45638

We have audited the financial statements of Village of Hanging Rock, Lawrence County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 30, 2009, 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 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity'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 a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings as items 2008-006, 2008-008 and 2008-009 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.



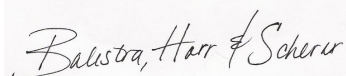
### Compliance and Other Matters

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2008-001, 2008-002, 2008-003, 2008-004, 2008-005 and 2008-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 30, 2009.

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
June 30, 2009

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY  
DECEMBER 31, 2008 AND 2007  
SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Material Noncompliance**

**Ohio Revised Code Section 2949.091 (A)(1)** requires the collection of additional court costs when any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation. Such fees are required to be transmitted by the Clerk of Courts to the Treasurer of State and deposited by the Treasurer of State in to the General Fund.

The Mayor's Court collected various fees, during 2007 and 2008 and did not remit these fees to the Treasurer of State as required in the in the total amount of \$482. The total due to the Victims of Crime Fund was \$182 and the total due the General Fund was \$300.

**Clients Response:** To hire an accounting firm, with Council approval, to do all bank reconciliations and to make sure all disbursements are paid.

**FINDING NUMBER 2008-002**

**Material Noncompliance**

**Ohio Revised Code Section 5705.38(A)** requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Village did not pass an appropriation measure until March of 2007. Failure to approve the permanent appropriation measure in a timely manner could result in overspending due to a lack of controls. The Village should ensure an appropriation measure is approved on or about the first day of each fiscal year.

**Client Response:** The Client chose not to respond to this finding.

**FINDING NUMBER 2008-003**

**Material Noncompliance**

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

In 2007 and 2008 there were no approved appropriations on file at the County Auditor, thus all expenditures from all funds exceeded appropriations. This could result in overspending if not monitored. The Village should submit appropriations measure to the County Auditor for certification.

**Client Response:** The Client chose not to respond to this finding.

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY  
DECEMBER 31, 2008 AND 2007  
SCHEDULE OF FINDINGS  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-004**

**Material Noncompliance**

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two “exceptions” to the above requirements:

- A. 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 can authorize the drawing of a warrant for the payment or the amount due. The Village 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 maybe 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.

- B. 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 on particular line item appropriation.
- C. 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 reasonable 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.

The availability of funds was not certified in 20% for 2007 and 32% for 2008 of the Village’s expenditures tested, nor did the Village use the aforementioned exceptions. Failure to properly certify funds could result in overspending the Village funds.

Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds prior to making a purchase obligation. Failure to properly certify funds could result in overspending and negative fund balances.

The Village should certify purchases to which 5705.41 (D) applies. The most convenient method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Client Response:** Will be more careful on watching for a “Then and Now”.

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY  
DECEMBER 31, 2008 AND 2007  
SCHEDULE OF FINDINGS  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-005**

**Material Noncompliance**

**Ohio Revised Code Section 5705.39** states in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate resources or amended official estimate resources.

In 2007 and 2008 there were no approved appropriations on file at the County Auditor, thus the Village did not receive a does not exceed certificate. Failure to have the permanent appropriation measure certified by the County Auditor could result in overspending due to a lack of controls. The Village should ensure an appropriation measure is submitted to the County Auditor.

*Client Response:* The Client chose not to respond to this finding.

**FINDING NUMBER 2008-006**

**Significant Deficiency**

During the course of the audit, material and immaterial misstatements were identified related to the following:

- Property Tax Revenue,
- Intergovernmental Revenue.

The Village should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

*Client Response:* Will be more observant and make list of what goes where.

**FINDING NUMBER 2008-007**

**Material Noncompliance**

**Ohio Revised Code Section 733.40** states that except as otherwise provided in Section 4511.193 of the Revised Code, all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due the mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY  
DECEMBER 31, 2008 AND 2007  
SCHEDULE OF FINDINGS  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-007 (Continued)**

**Material Noncompliance (Continued)**

**Ohio Revised Code Section 1901.261(B)(1)** provides that a municipal court may determine that, for the efficient operation of the court, additional funds are required to computerize the office of the clerk of the court and, upon that determination, may include in its schedule of fees and costs under Section 1901.26 of the Revised Code an additional fee not to exceed ten dollars on the filing of each cause of action or appeal, on the filing, docketing, and endorsing of each certificate of judgment, or on the docketing and indexing of each aid in execution or petition to vacate, revive, or modify a judgment that is equivalent to one described in division (A), (P), (Q), (T), or (U) of Section 2303.20 of the Revised Code.

The Mayor's Court collected various fines, forfeitures and other costs during 2007 and 2008 and did not remit these fines, forfeitures and other costs to the Village as required in the in the total amount of \$6,639.56. The total due to the Computer Fund was \$191.00 and the total due the General Fund was \$6,445.56.

**Client Response:** To hire an accounting firm, with Council approval, to do all bank reconciliations and to make sure all disbursements are paid.

**FINDING NUMBER 2008-008**

**Significant Deficiency**

The Village Clerk should maintain some type of support (i.e. invoices, request for payment, receipt, etc.) for all disbursements made by the Village. However, we identified several disbursements that had no support maintained. Without support it was impossible to determine the true nature of the purchases.

The Village should not allow disbursements unless supporting documentation is available.

**Client Response:** I have already started a new record keeping system and will maintain on a weekly basis.

**FINDING NUMBER 2008-009**

**Significant Deficiency**

The use of debit card should be specified in a policy the government's legislative body adopts. This policy should, at a minimum, identify authorized users, guidelines for allowable use/ purchases, specific unallowable uses, reporting, monitoring of use by appropriate levels of management, and other guidelines the legislative body deems appropriate. The Village had several debit card purchases that were used for varying purposes, such as the purchase of gas, office supplies, street supplies, etc... However, the Village had no approved debit card use policy to outline how the cards were to be used and to state who was approved to use them. Such a policy could help avoid any confusion by clarifying to all employees and officials the proper procedures that have been accepted by the Village.

The Village should adopt a debit card policy. This policy should address the items noted above.

**Client Response:** The Client chose not to respond to this finding.

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY  
DECEMBER 31, 2008 AND 2007**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2006-001	Ohio Attorney General Opinion No. 82-006 – expenditure of funds for public purposes	Yes	
2006-002	Ohio Revised Code Section 2949.091(A)(1) – remitting funds to the Treasurer of State from the Mayor’s Court	No	Reissued as 2008-001
2006-003	Ohio Revised Code Section 731.13 – compensation of council members.	Yes	
2006-004	Ohio Revised Code Section 733.40 – remitting funds to the Village from the Mayor’s Court	No	Reissued as 2008-007
2006-005	Ohio Revised Code Section 5705.38(A) – passing appropriation measure by January 1	No	Reissued as 2008-002
2006-006	Ohio Revised Code Section 5705.41(B) – prohibits expending money unless it has been appropriated.	No	Reissue as 2008-003
2006-007	Ohio Revised Code Section 5705.41(D) – Did not properly certify funds for expenditure.	No	Reissue as 2008-004



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF HANGING ROCK**

**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 19, 2009**