

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

AUDIT REPORT

JANUARY 1, 2013 - DECEMBER 31, 2014



Dave Yost • Auditor of State

Village Council
Village of Harrisville
P.O. Box 249
Harrisville, Ohio 43974

We have reviewed the *Independent Auditors' Report* of the Village of Harrisville, Harrison County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2013 through December 31, 2014. 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

October 30, 2015

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**VILLAGE OF HARRISVILLE
HARRISON COUNTY
JANUARY 1, 2013 - DECEMBER 31, 2014**

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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 and related notes of the Village of Harrisville, Harrison County, as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions 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 opinion.

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

As described in Note 1 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 accounting basis and GAAP are not reasonably determinable, we presume they are 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, Harrison County as of December 31, 2014 and 2013, 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 Village of Harrisville, Harrison County as of December 31, 2014 and 2013, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 8, 2015, 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
July 8, 2015

**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, 2014**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Taxes	\$ 7,431	\$ -	\$ -	\$ 7,431
Intergovernmental	18,646	16,501	-	35,147
Charges for Services	1,878	-	-	1,878
Earnings on Investments	26	25	-	-
Miscellaneous	4,520	-	-	4,520
Total Cash Receipts	<u>32,500</u>	<u>16,526</u>	<u>-</u>	<u>49,026</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	14,363	-	-	14,363
Public Health Services	676	-	-	676
Transportation	-	22,932	-	22,932
General Government	17,636	-	-	17,636
Debt Service:				
Principal	-	-	1,994,237	-
Capital Outlay	-	39	1,874,024	1,874,063
Total Cash Disbursements	<u>32,675</u>	<u>22,971</u>	<u>3,868,261</u>	<u>3,923,907</u>
Excess Cash Receipts Over/(Under) Cash Disbursements	(175)	(6,445)	(3,868,261)	(3,874,881)
Other Financing Receipts (Cash Disbursements)				
Other Financing Sources	-	-	2,002,546	2,002,546
Debt Proceeds	-	-	1,874,024	1,874,024
Other Financing (Uses)	(5,963)	(10,872)	-	(16,835)
Total Other Financing Receipts (Cash Disbursements)	<u>(5,963)</u>	<u>(10,872)</u>	<u>3,876,570</u>	<u>3,859,735</u>
Net Change in Fund Cash Balance	(6,138)	(17,317)	8,309	(15,146)
Fund Cash Balances, January 1	<u>15,395</u>	<u>39,080</u>	<u>-</u>	<u>54,475</u>
Fund Cash Balances, December 31				
Restricted	-	21,763	8,309	30,072
Unassigned (Deficit)	9,257	-	-	9,257
Fund Cash Balances, December 31	<u>\$ 9,257</u>	<u>\$ 21,763</u>	<u>\$ 8,309</u>	<u>\$ 39,329</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, 2013**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Taxes	\$ 9,094	\$ -	\$ -	\$ 9,094
Intergovernmental	19,008	15,867	-	34,875
Charges for Services	2,031	-	-	2,031
Earnings on Investments	6	2	-	-
Miscellaneous	1,113	-	-	1,113
Total Cash Receipts	<u>31,252</u>	<u>15,869</u>	<u>-</u>	<u>47,121</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	31,001	-	-	31,001
Public Health Services	171	-	-	171
Transportation	-	22,940	-	22,940
General Government	14,800	-	-	14,800
Debt Service:				
Principal	1,375	-	-	1,375
Capital Outlay	-	2,691	99,802	102,493
Total Cash Disbursements	<u>47,347</u>	<u>25,631</u>	<u>99,802</u>	<u>172,780</u>
Excess Cash Receipts Over/(Under) Cash Disbursements	(16,095)	(9,761)	(99,802)	(125,659)
Other Financing Receipts (Cash Disbursements)				
Debt Proceeds	-	-	99,802	99,802
Other Financing (Uses)	(1,432)	(5,473)	-	(6,905)
Total Other Financing Receipts (Cash Disbursements)	<u>(1,432)</u>	<u>(5,473)</u>	<u>99,802</u>	<u>92,897</u>
Net Change in Fund Cash Balance	(17,527)	(15,234)	-	(32,762)
Fund Cash Balances, January 1	<u>32,922</u>	<u>54,314</u>	<u>-</u>	<u>87,236</u>
Fund Cash Balances, December 31				
Restricted	-	39,080	-	39,080
Unassigned (Deficit)	15,394	-	-	15,394
Fund Cash Balances, December 31	<u>\$ 15,394</u>	<u>\$ 39,080</u>	<u>\$ -</u>	<u>\$ 54,474</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, 2014 AND 2013**

	Enterprise Fund	
	2014	2013
Operating Cash Receipts:		
Charges for Services	\$ 19,667	\$ 855
Total Operating Cash Receipts:	19,667	855
 Operating Cash Disbursements:		
Personal Services	4,436	-
Fringe Benefits	22	-
Supplies and Materials	10,585	-
Total Operating Cash Disbursements	15,043	-
 Operating Income	4,624	855
 Non-Operating Cash Disbursements:		
Debt Service:		
Principal Payments	458	-
Total Non-Operating Cash Disbursements	458	-
 Net Receipts Over Disbursements	4,166	855
 Fund Cash Balances, January 1	855	-
 Fund Cash Balances, December 31	\$ 5,021	\$ 855

See notes to financial statements.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

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 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 the 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.

B. 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 Section 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 Section 117-2-03(D) permit.

C. Deposits and Investments

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

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:

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.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting

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 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.

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 Funds:

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

E. 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, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. 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.

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 classifications could be used.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. 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.

2. 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:

	2014	2013
Demand Deposits	\$ 44,350	\$ 55,330
Total	\$ 44,350	\$ 55,330

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2014 and 2013 is as follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 30,431	\$ 32,500	\$ 2,069
Special Revenue	16,524	16,526	2
Debt Service	920	-	(920)
Capital Projects	458,158	3,876,570	3,418,412
Enterprise	19,213	19,667	454
Total	\$ 525,246	\$ 3,945,263	\$ 3,420,017

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 51,551	\$ 38,638	\$ 12,913
Special Revenue	55,234	33,843	21,391
Capital Projects	5,400,000	3,868,261	1,531,739
Enterprise	19,710	15,501	4,209
Total	\$ 5,526,495	\$ 3,956,243	\$ 1,570,252

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 25,669	\$ 31,252	\$ 5,583
Special Revenue	13,235	15,869	2,634
Capital Projects	-	99,802	99,802
Enterprise	-	855	855
Total	\$ 38,904	\$ 147,778	\$ 108,874

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,049	\$ 48,779	\$ 10,270
Special Revenue	67,492	31,104	36,388
Capital Projects	-	99,802	(99,802)
Total	\$ 126,541	\$ 179,685	\$ (53,144)

Contrary to ORC 5705.41(D), the Village had fiscal certificates dated after invoice date.

Contrary to ORC 5705.39, In 2014 the General Fund, Street Construction Fund and Capital Projects Sewer Project Fund and in 2013, the General Fund and Capital Projects Sewer Project Fund had appropriations exceeding estimated resources.

Contrary to ORC 5705.41(B), the Capital Projects Sewer Project Fund had expenditures greater than appropriations.

4. 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 payment, 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, 2014 and 2013**

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

	2014 Principal	%
Ohio Public Works Commission Loan	\$ 11,461	0.00
Ohio Water Development Authority Loan	232,489	0.000
Total	\$ 243,950	

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. Starting in 2014, the loan will be repaid from the sewer operating 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, 2014, \$2,226,726 has been disbursed and \$1,994,237 has been paid through actual cash disbursements or loan forgiveness agreement. 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. The balance of the loan presented at December 31, 2012 was overstated by \$13,400.

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

Year Ending December 31;	OPWC
2015	\$ 917
2016	917
2017	917
2018	917
2019	917
2020-2024	4,585
2020-2024	2,290
Total	\$ 11,460

6. RETIREMENT SYSTEMS

The Village employees and elected officials belong to the Public Employees Retirement System (OPERS) of Ohio. 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 2014 and 2013, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.00% of participant's gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF HARRISVILLE
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

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

**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, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 8, 2015, 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 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.

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. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. We consider Finding 2014-03 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-01 and 2014-02.

Entity's Response to Finding

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

We noted certain matters not requiring inclusion in this report that we have reported to the management of the Village of Harrisville in a separate letter dated July 8, 2015.

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
July 8, 2015

**VILLAGE OF HARRISON
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-01

Noncompliance – Certification of Funds

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 "Then and Now" Certificates. 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.

**VILLAGE OF HARRISON
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-01 (Continued)

The Village did not certify the availability of funds prior to the purchase commitment for 22% of expenditures tested in 2014 and 30% of expenditures tested in 2013. 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.

FINDING NUMBER 2014-02

Noncompliance

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total of estimated resources.

Based on tests performed, we noted the General Fund, Street Fund and Capital Projects Sewer Project Fund and Sewer Operating Fund had appropriations exceeding estimated resources by \$5,726, \$37, \$4,940,987 and \$497, respectively in 2014.

Based on tests performed, we noted the General Fund and Capital Projects Sewer Project Fund had appropriations exceeding estimated resources by \$400 and \$99,802, respectively in 2013.

Failure to monitor estimated resources and appropriations could result in the Village committing funds to be spent which are not available to spend.

We recommend the Village compare estimated resources to appropriations in all funds that are legally required to be budgeted, at the legal level of control, prior to making expenditure commitments, and make all necessary adjustments to ensure compliance with the above requirements.

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

HARRISON COUNTY

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-03

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 2014, adjustments were made to report \$1,874,024 in debt proceeds and \$1,316,253 increase in Other Financing Sources in the Capital Projects Sewer Project Fund.

In 2014, adjustments were made to report \$1,874,204 in capital outlay and \$1,994,237 in capital outlay in the Capital Projects Sewer Project Fund.

In 2013, adjustments were made to report \$800 in debt proceeds and \$800 in capital outlay in the Capital Projects Sewer Project Fund.

Reclassifications

In 2014 and 2013, Property Taxes in the amount of \$2,178 and \$2,947, respectively were reclassified to Intergovernmental receipts.

As a result, the Village's financial statements originally presented to 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 PRIOR AUDIT FINDINGS
December 31, 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	ORC 5705.41(B) expenditures exceeding appropriations	No	Partially Corrected Included in Management Letter
2012-002	ORC 5705.41(D) certification of expenditures	No	Not Corrected Repeated as Finding 2014-01
2012-003	Material Weakness Adjustments and reclassifications of transactions	No	Not Corrected Repeated as Finding 2014-03



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
NOVEMBER 10, 2015**