



Dave Yost • Auditor of State



VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Hanging Rock  
Lawrence County  
400 Main Street  
Hanging Rock, Ohio 45638

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 Village of Hanging Rock, Lawrence County, Ohio (the Village) 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 opinions.

### ***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 of America (GAAP), 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 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 as of December 31, 2014 and 2013, or changes in financial position 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 Hanging Rock, Lawrence 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 our report dated January 15, 2016, 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. 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 15, 2016

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$4,036	\$0	\$4,036
Intergovernmental	8,828	13,465	22,293
Fines, Licenses and Permits	394,417	24,307	418,724
Earnings on Investments	114	1	115
Miscellaneous	7,865	439	8,304
<i>Total Cash Receipts</i>	<u>415,260</u>	<u>38,212</u>	<u>453,472</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	264,930	0	264,930
Leisure Time Activities	3,150	0	3,150
Transportation	19,559	11,266	30,825
General Government	96,431	16,861	113,292
Capital Outlay	0	4,457	4,457
Debt Service:			
Principal Retirement	28,015	0	28,015
Interest and Fiscal Charges	484	0	484
<i>Total Cash Disbursements</i>	<u>412,569</u>	<u>32,584</u>	<u>445,153</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,691</u>	<u>5,628</u>	<u>8,319</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Notes	28,000	0	28,000
Insurance Proceeds	34,046	0	34,046
Other Financing Sources	17	0	17
Other Financing Uses	(3,040)	0	(3,040)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>59,023</u>	<u>0</u>	<u>59,023</u>
<i>Net Change in Fund Cash Balances</i>	61,714	5,628	67,342
<i>Fund Cash Balances, January 1</i>	<u>79,481</u>	<u>10,799</u>	<u>90,280</u>
<b>Fund Cash Balances, December 31</b>			
Restricted			
Road Maintenance and Improvements	0	10,318	10,318
Mayor's Court Computer Fund	0	6,109	6,109
Assigned	0	0	0
Unassigned (Deficit)	141,195	0	141,195
<i>Fund Cash Balances, December 31</i>	<u>\$141,195</u>	<u>\$16,427</u>	<u>\$157,622</u>

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

VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

<b>Non-Operating Receipts (Disbursements)</b>	
Other Non-Operating Revenues	\$483,997
Other Non-Operating Disbursements	<u>(448,467)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>35,530</u>
<i>Net Change in Fund Cash Balances</i>	35,530
<i>Fund Cash Balances, January 1</i>	<u>22,572</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$58,102</u></u>

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



**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$3,562	\$0	\$3,562
Intergovernmental	9,610	13,780	23,390
Fines, Licenses and Permits	342,974	21,436	364,410
Earnings on Investments	101	0	101
Miscellaneous	5,530	854	6,384
<i>Total Cash Receipts</i>	<u>361,777</u>	<u>36,070</u>	<u>397,847</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	204,565	0	204,565
Leisure Time Activities	3,043	0	3,043
Transportation	856	7,469	8,325
General Government	91,782	20,860	112,642
Capital Outlay	0	824	824
Debt Service:			
Principal Retirement	2,009	0	2,009
Interest and Fiscal Charges	9	0	9
<i>Total Cash Disbursements</i>	<u>302,264</u>	<u>29,153</u>	<u>331,417</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>59,513</u>	<u>6,917</u>	<u>66,430</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	3,460	0	3,460
Other Financing Uses	(756)	(1,505)	(2,261)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,704</u>	<u>(1,505)</u>	<u>1,199</u>
<i>Net Change in Fund Cash Balances</i>	62,217	5,412	67,629
<i>Fund Cash Balances, January 1</i>	<u>17,264</u>	<u>5,387</u>	<u>22,651</u>
<b>Fund Cash Balances, December 31</b>			
Restricted			
Road Maintenance and Improvements	0	7,679	7,679
Mayor's Court Computer Fund	0	3,120	3,120
Assigned	33,000	0	33,000
Unassigned (Deficit)	46,481	0	46,481
<i>Fund Cash Balances, December 31</i>	<u>\$79,481</u>	<u>\$10,799</u>	<u>\$90,280</u>

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

VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

<b>Non-Operating Receipts (Disbursements)</b>	
Other Non-Operating Revenues	\$365,442
Other Non-Operating Disbursements	<u>(394,311)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(28,869)</u>
<i>Net Change in Fund Cash Balances</i>	(28,869)
<i>Fund Cash Balances, January 1</i>	<u>51,441</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$22,572</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, 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 Hanging Rock, Lawrence County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, 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 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 Board 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**

The Village maintains an interest bearing checking account.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified 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 tax money for constructing, maintaining, and repairing Village streets.

Mayor's Court Computerization Fund – This fund receives fines from the Mayor's Court to assist in maintaining its computer system.

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**3. Fiduciary Funds**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. 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 approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

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:

**1. Nonspendable**

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

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**2. 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.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the 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.

**4. 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 the 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 resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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 (committed, assigned, and 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.

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, 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, 2014 AND 2013  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2014	2013
Demand deposits	\$215,724	\$112,852

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$403,803	\$477,323	\$73,520
Special Revenue	39,875	38,212	(1,663)
Total	\$443,678	\$515,535	\$71,857

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$425,123	\$415,609	\$9,514
Special Revenue	42,142	32,584	9,558
Total	\$467,265	\$448,193	\$19,072

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$423,914	\$365,237	(\$58,677)
Special Revenue	35,700	36,070	370
Total	\$459,614	\$401,307	(\$58,307)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$430,821	\$336,020	\$94,801
Special Revenue	40,300	30,658	9,642
Total	\$471,121	\$366,678	\$104,443

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(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 the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

**5. DEBT**

The Police Cruiser Loan was issued in 2014 to finance the purchase of a Police Cruiser. The loan is collateralized by the vehicle. The loan was paid off during 2014.

**6. 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). 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 2014 and 2013, OP&F participants contributed 10% (from January 2013- June 2013), 10.75% (from July 2013-June 2014) and 11.5% (from July 2014 – December 2014), of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. SUBSEQUENT EVENTS**

In March 2015, the Village authorized a loan for \$50,000 to provide funding for the purchase of the new Village Hall building.

**9. SIGNIFICANT COMMITMENTS**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. As of December 31, 2013, the amount of encumbrances expected to be honored upon performance by the vendor in the next year in the General Fund was \$33,000.

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# Dave Yost • Auditor of State

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

Village of Hanging Rock  
Lawrence County  
400 Main Street  
Hanging Rock, Ohio 45638

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Village of Hanging Rock, Lawrence County, Ohio (the Village) 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 January 15, 2016, 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's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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 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 of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 to be a material weakness.

***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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village'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.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 15, 2016

**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness**

Sound financial reporting is the responsibility of the Village Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

In 2013:

- General Fund Assigned Fund Balance in the amount of \$33,000 was misposted to Unassigned Fund Balance.
- Mayor's Court Computerization Fund Fines, Licenses and Permits in the amount of \$17,798 was misposted as Miscellaneous Revenue.
- The Mayor's Court activity (\$365,442 in receipts and \$394,311 in disbursements) was not included in the financial statements.

In 2014:

- General Fund Insurance Proceeds in the amount of \$34,046 was misposted as an Extraordinary Item.
- General Fund initial down payment of \$4,314 for a cruiser purchase was misposted as sale of notes and other financing uses.
- General Fund interest expense of \$44 was misposted as a principal payment.
- General Fund finance charges of \$125 was misposted as a principal payment.
- The Mayor's Court activity (\$483,997 in receipts and \$448,467 in disbursements) was not included in the financial statements.

The Village Fiscal Officer made classification errors in posting of revenues and expenditures. This caused the mispostings of revenues and expenditures as noted above, where appropriate. The audited financial statements and the Village's UAN accounting system have been adjusted for the issues noted above, as appropriate.

We recommend the Village Fiscal Officer review the Village Officer's Handbook for guidance on the correct line items to post various receipts and disbursements of the Village to ensure the Village's financial statements are complete and accurate.

**Officials' Response:**

The Clerk will make an effort to improve improper posting of revenues and expenditures.

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**VILLAGE OF HANGING ROCK  
LAWRENCE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Sound Financial Reporting	No	Reissued on 2014-001
2012-002	Ohio Rev. Code Section 5705.41(D) – Not properly certifying funds prior to expenditure.	Yes	

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# Dave Yost • 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  
JANUARY 28, 2016**