

Village of Hanging Rock
Lawrence County, Ohio

Regular Audit

For the years ended December 31, 2010 and 2009
Fiscal Years Audited Under GAGAS: 2010 and 2009



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639
9076 Ohio River Road, Wheelersburg, Ohio, 45694 Phone: 740.876.9121 Fax: 800.210.2573



Dave Yost • Auditor of State

Members of Council
Village of Hanging Rock
100 Scioto Avenue
Hanging Rock, Ohio 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, 2009 through December 31, 2010. 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.

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.

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

Dave Yost
Auditor of State

July 21, 2011

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Village of Hanging Rock
Lawrence County, Ohio
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Independent Auditor's Report

Council Members
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, 2010 and 2009. 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.

Except as described in the fourth following paragraph, 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments 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 third 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

Because of the inadequacy of accounting records for the years ended December 31, 2010 and 2009, we were unable to satisfy ourselves as to the completeness or occurrence of mayor's court receipts as recorded in the accompanying Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances Agency Fund at December 31, 2010 and 2009 (stated at \$463,617 and \$403,445, respectively). Because of the inadequacy of accounting records for the year ended December 31, 2010 and 2009, we were unable to satisfy ourselves as to the completeness or occurrence of disbursements as recorded in the accompanying Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances Agency Fund at December 31, 2010 and 2009 (stated at \$461,244 and \$387,389, respectively). Also, because of the inadequacy of accounting records for the year ended December 31, 2010 and 2009, we were unable to satisfy ourselves as to the completeness or accuracy of cash balances as recorded in the accompanying Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances Agency Fund at December 31, 2010 and 2009 (stated at \$47,389 and \$45,016, respectively). Because of the inadequacy of accounting records for the years ended December 31, 2010 and 2009, we were unable to satisfy ourselves as to the completeness or occurrence fines, licenses and permits receipts as recorded in the accompanying combined statement of cash receipts, cash disbursements, and changes in fund cash balances for all governmental funds at December 31, 2010 and 2009 (stated at \$366,954 and \$310,120, respectively).

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the completeness and occurrence of mayor's court receipts and disbursements and cash balances and fines, licenses and permits as described in the preceding paragraph for the year ended December 31, 2010 and 2009, 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, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2011, 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 27, 2011

Village of Hanging Rock, Lawrence County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
Governmental Funds
For the Year Ended December 31, 2010

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 4,077	\$ -	\$ 4,077
Intergovernmental	15,542	11,805	27,347
Fines, Licenses, and Permits	339,164	27,790	366,954
Earnings on Investments	250	1	251
Miscellaneous	2,662	50	2,712
	<u>361,695</u>	<u>39,646</u>	<u>401,341</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	218,301	-	218,301
Leisure Time Activities	3,185	-	3,185
Transportation	-	9,856	9,856
General Government	82,744	19,111	101,855
Capital Outlay	-	2,260	2,260
Debt Service:			
Redemption of Principal	23,893	-	23,893
Interest and Fiscal Charges	766	-	766
	<u>328,889</u>	<u>31,227</u>	<u>360,116</u>
Total Cash Receipts Over Cash Disbursements	32,806	8,419	41,225
Other Financing Receipts and (Disbursements):			
Sale of Notes	23,769	-	23,769
Other Uses	(373)	(2,255)	(2,628)
	<u>23,396</u>	<u>(2,255)</u>	<u>21,141</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	56,202	6,164	62,366
Fund Cash Balances, January 1	47,929	15,270	63,199
Fund Cash Balances, December 31	<u>\$ 104,131</u>	<u>\$ 21,434</u>	<u>\$ 125,565</u>

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

Village of Hanging Rock, Lawrence County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
Agency Fund
For the Year Ended December 31, 2010

	<u>Agency</u>
Non-Operating Cash Receipts/Disbursements	
Other Non-operating Receipts	\$ 463,617
Other Non-operating Disbursements	<u>(461,244)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	<u>2,373</u>
Fund Cash Balances, January 1	<u>45,016</u>
Fund Cash Balances, December 31	<u><u>\$ 47,389</u></u>

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

Village of Hanging Rock, Lawrence County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
Governmental Funds
For the Year Ended December 31, 2009

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 4,218	\$ -	\$ 4,218
Intergovernmental	15,805	11,180	26,985
Fines, Licenses, and Permits	288,214	21,906	310,120
Earnings on Investments	405	2	407
Miscellaneous	1,185	231	1,416
	<u>309,827</u>	<u>33,319</u>	<u>343,146</u>
Total Cash Receipts			
	<u>309,827</u>	<u>33,319</u>	<u>343,146</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	204,589	-	204,589
Leisure Time Activities	2,664	-	2,664
Basic Utility Services	203	-	203
Transportation	-	18,226	18,226
General Government	73,137	14,500	87,637
Capital Outlay	22,625	7,210	29,835
	<u>303,218</u>	<u>39,936</u>	<u>343,154</u>
Total Cash Disbursements			
	<u>303,218</u>	<u>39,936</u>	<u>343,154</u>
Total Cash Receipts Over/(Under) Cash Disbursements	6,609	(6,617)	(8)
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	21,816	-	21,816
Other Sources	4,093	-	4,093
Other Uses	(1,455)	(1,861)	(3,316)
	<u>24,454</u>	<u>(1,861)</u>	<u>22,593</u>
Total Other Financing Receipts/(Disbursements)			
	<u>24,454</u>	<u>(1,861)</u>	<u>22,593</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	31,063	(8,478)	22,585
Fund Cash Balances, January 1	<u>16,866</u>	<u>23,748</u>	<u>40,614</u>
Fund Cash Balances, December 31	<u><u>\$ 47,929</u></u>	<u><u>\$ 15,270</u></u>	<u><u>\$ 63,199</u></u>

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

Village of Hanging Rock, Lawrence County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
Agency Fund
For the Year Ended December 31, 2009

	<u>Agency</u>
Non-Operating Cash Receipts/Disbursements	
Other Non-operating Receipts	\$ 403,445
Other Non-operating Disbursements	<u>(387,389)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	16,056
Fund Cash Balances, January 1	<u>28,960</u>
Fund Cash Balances, December 31	<u><u>\$ 45,016</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, 2010 AND 2009**

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, 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 maintains a checking account which is reported at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for 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, 2010 AND 2009
(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 (except certain agency funds) 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 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, 2010 AND 2009
(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:

	2010	2009
Demand deposits	\$172,954	\$108,215
Total deposits	\$172,954	\$108,215

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, 2010 and December 31, 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 385,464	\$ 385,464
Special Revenue	-	39,646	39,646
Total	\$ -	\$ 425,110	\$ 425,110

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 363,209	\$ 329,262	\$ 33,947
Special Revenue	46,171	33,482	12,689
Total	\$ 409,380	\$ 362,744	\$ 46,636

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 251,809	\$ 335,736	\$ 83,927
Special Revenue	24,477	33,319	8,842
Total	\$ 276,286	\$ 369,055	\$ 92,769

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 316,081	\$ 304,673	\$ 11,408
Special Revenue	43,710	41,797	1,913
Total	\$ 359,791	\$ 346,470	\$ 13,321

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 AND 2009
(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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, 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 2010 and 2009, 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, 2010.

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.

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 AND 2009
(Continued)**

7. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Police Truck Loan	\$ 21,769	5.46%
Total	\$ 21,769	

The Police Truck Note was issued in 2010 to finance the purchase of the Police Truck. The loan is collateralized by the Truck. The loan was issued on October 26, 2010 for a three year period. A down payment of \$5,000 accompanied the Loan upon purchase of the truck.

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

	Police Truck Note
Year ending December 31:	
2011	\$ 8,607
2012	8,607
2013	6,416
	\$ 23,630

8. Noncompliance

- Contrary to the Ohio Revised Code Section 5705.39 the Village had appropriations in excess of estimated resources in General fund in 2009 and all funds and 2010.
- Contrary to the Ohio Revised Code Section 733.28 the Village Mayor's Court did not maintain all supporting documentation for all tickets issued.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

Council Members
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, 2010 and 2009, and have issued our report thereon dated June 27, 2011, 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, and that we were unable to satisfy ourselves as to the accuracy of the Village mayor's court receipts and disbursements and cash balances and fines, licenses and permits for the years ended December 31, 2010 and 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-002 through 2010-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
June 27, 2011

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY
DECEMBER 31, 2010 AND 2009
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Material Noncompliance

Ohio Revised Code Section 5705.39 – Appropriations limited by estimated resources. The 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 or amended official estimate.

Appropriations exceeded combined estimated resources and unencumbered fund balance in the General Fund by \$47,406, for 2009. Also, estimated resources were not filed with the County Auditor for 2010, therefore all fund appropriations exceeded estimated resources and unencumbered fund balances.

We recommend that the Village monitor their appropriations to the combined unencumbered balance and estimated resources more closely throughout the year and make amendments where necessary. Also, the Village should file their estimated resources with the County Auditor.

Clients Response:

The Client chose not to respond to this issue.

FINDING NUMBER 2010-002

Material Noncompliance/Material Weakness

Ohio Revised Code Section 733.28 provides that the Village clerk shall keep the books of the Village, exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived.

Supporting documentation for Mayor Court tickets could not be located for 15 tickets out of 52 (29%) tickets tested.

We recommend the Village ensure that proper documentation is maintained for all transactions. The Village should implement procedures to ensure that accounting records of the Village are accurate and complete.

Client Response:

The Client chose not to respond to this issue.

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY
DECEMBER 31, 2010 AND 2009
SCHEDULE OF FINDINGS
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-003

Material Weakness

Several adjustments and reclassifications were required to be made because the financial statements were materially misstated.

The accompanying financial statements were adjusted to reflect adjustments to the following line items:

- Other Revenue
- Sale of Notes
- Fines, Licenses and Permits
- Capital Outlay
- Security of Persons and Property
- Interest and Fiscal Charges
- Other Uses
- General Government

The aforementioned errors were the result of a lack of internal controls over financial reporting.

The Village should implement application and monitoring controls to ensure that financial statement balances are accurately and completely stated.

Client Response:

The Client chose not to respond to this issue.

FINDING NUMBER 2010-004

Material Weakness

The 2009 and 2010 monthly bank reconciliations for the Mayor's Court contained reconciling items that were not supported as well as reconciling items that were inaccurate. Specifically, the December 2009 and 2010 bank reconciliation did not contain any reconciling items of deposits in transit or outstanding checks.

Monthly reconciliations appeared that they were not reviewed.

The aforementioned errors were the result of a lack of internal controls over reconciling of the Village's Mayor Court bank account.

The Village's Mayor's Court should implement application and monitoring controls to ensure that reconciliations are accurately completed and contain support for any reconciling items.

Client Response:

The Client chose not to respond to this issue.

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY
DECEMBER 31, 2010 AND 2009**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Ohio Revised Code Section 2949.091(A)(1) – remitting funds to the Treasurer of State from the Mayor’s Court	Yes	
2008-002	Ohio Revised Code Section 5705.38(A) – passing appropriation measure by January 1	Yes	
2008-003	Ohio Revised Code Section 5705.41(B) – prohibits expending money unless it has been appropriated.	Yes	
2008-004	Ohio Revised Code Section 5705.41(D) – Did not properly certify funds for expenditure.	Yes	
2008-005	Ohio Revised Code Section 5705.39 – appropriations exceed estimated resources.	No	Reissued as 2010-001
2008-006	Significant Deficiency – material and immaterial misstatements.	No	Reissue as 2010-003
2008-007	Ohio Revised Code Section 733.40 – remitting funds to the Village from the Mayor’s court	No	Reissue as 2010-002
2008-008	Significant Deficiency – maintaining support for disbursements.	Yes	
2008-009	Significant Deficiency – Debit Card policy	No	Reissue as 2010-005

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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
AUGUST 2, 2011