



Mary Taylor, CPA
Auditor of State

VILLAGE OF HANGING ROCK
LAWRENCE COUNTY

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Mary Taylor, CPA

Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

August 10, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Hanging Rock, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

GAAP require presenting entity wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Hanging Rock, Lawrence County, as of December 31, 2006 and 2005, 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 August 10, 2007, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 10, 2007

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$5,979		\$5,979
Intergovernmental Receipts	19,897	\$11,683	31,580
Fines, Licenses, and Permits	224,057	15,264	239,321
Earnings on Investments	241	39	280
Miscellaneous	1,225		1,225
Total Cash Receipts	<u>251,399</u>	<u>26,986</u>	<u>278,385</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	139,864		139,864
Transportation		4,934	4,934
General Government	40,332	19,345	59,677
Capital Outlay	23,626		23,626
Total Cash Disbursements	<u>203,822</u>	<u>24,279</u>	<u>228,101</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>47,577</u>	<u>2,707</u>	<u>50,284</u>
Other Financing (Disbursements):			
Other Financing Uses	(9,306)		(9,306)
Total Other Financing (Disbursements)	<u>(9,306)</u>	<u>0</u>	<u>(9,306)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	38,271	2,707	40,978
Fund Cash Balances, January 1	<u>44,766</u>	<u>27,628</u>	<u>72,394</u>
Fund Cash Balances, December 31	<u>\$83,037</u>	<u>\$30,335</u>	<u>\$113,372</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

VILLAGE OF HANGING ROCK
LAWRENCE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$281,376</u>
Total Non-Operating Cash Receipts	<u>281,376</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>277,373</u>
Total Non-Operating Cash Disbursements	<u>277,373</u>
Net Receipts Over/(Under) Disbursements	4,003
Fund Cash Balance, January 1	<u>25,501</u>
Fund Cash Balance, December 31	<u><u>\$29,504</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 - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$3,681		\$3,681
Intergovernmental Receipts	17,908	\$9,657	27,565
Fines, Licenses, and Permits	197,713	15,395	213,108
Earnings on Investments	183	19	202
Miscellaneous	5,747		5,747
	<u>225,232</u>	<u>25,071</u>	<u>250,303</u>
Total Cash Receipts			
	<u>225,232</u>	<u>25,071</u>	<u>250,303</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	132,333		132,333
Transportation		4,622	4,622
General Government	44,514	7,113	51,627
Debt Service:			
Principal Payments	17,795		17,795
Interest Payments	254		254
Capital Outlay	6,389	12,779	19,168
	<u>201,285</u>	<u>24,514</u>	<u>225,799</u>
Total Cash Disbursements			
	<u>201,285</u>	<u>24,514</u>	<u>225,799</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>23,947</u>	<u>557</u>	<u>24,504</u>
Other Financing (Disbursements):			
Other Financing Uses	(1,626)	(987)	(2,613)
	<u>(1,626)</u>	<u>(987)</u>	<u>(2,613)</u>
Total Other Financing (Disbursements)			
	<u>(1,626)</u>	<u>(987)</u>	<u>(2,613)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>22,321</u>	<u>(430)</u>	<u>21,891</u>
Fund Cash Balances, January 1	<u>22,445</u>	<u>28,058</u>	<u>50,503</u>
Fund Cash Balances, December 31	<u><u>\$44,766</u></u>	<u><u>\$27,628</u></u>	<u><u>\$72,394</u></u>
Reserves for Encumbrances, December 31	<u><u>\$2,024</u></u>	<u><u>\$0</u></u>	<u><u>\$2,024</u></u>

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

VILLAGE OF HANGING ROCK
LAWRENCE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$257,111</u>
Total Non-Operating Cash Receipts	<u>257,111</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>250,921</u>
Total Non-Operating Cash Disbursements	<u>250,921</u>
Net Receipts Over/(Under) Disbursements	6,190
Fund Cash Balance, January 1	<u>19,311</u>
Fund Cash Balance, December 31	<u><u>\$25,501</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, 2006 AND 2005**

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 governmental services, including maintenance of roads and police services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. Cash

Cash accounts are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for 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 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, 2006 AND 2005
(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 (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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. For 2005, encumbrances outstanding at year end were carried over, and need not be reappropriated. For 2006, encumbrances outstanding at year end were canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. 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.

G. 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, 2006 AND 2005
(Continued)**

2. Equity in Pooled Cash

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

	2006	2005
Demand deposits	\$142,876	\$97,895
Total deposits	\$142,876	\$97,895

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$246,140	\$251,399	\$5,259
Special Revenue	30,392	26,986	(3,406)
Total	\$276,532	\$278,385	\$1,853

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$271,544	\$213,128	\$58,416
Special Revenue	28,880	24,279	4,601
Total	\$300,424	\$237,407	\$63,017

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$207,001	\$225,232	\$18,231
Special Revenue	6,000	25,071	19,071
Total	\$213,001	\$250,303	\$37,302

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$204,935	(\$204,935)
Special Revenue	0	25,501	(25,501)
Total	\$0	\$230,436	(\$230,436)

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds in total for the year ended December 31, 2005, as a result of not adopting appropriations.

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.

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 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, 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 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

6. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. Subsequent Events

On June 4, 2007, the Village Council approved a note for purchase of a new police cruiser. The original cost of the new police cruiser was \$23,911 and the Village put \$5,000 down. This resulted in the issuance of a note in the amount of \$18,911.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Hanging Rock, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 10, 2007 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-004 through 2006-007.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 10, 2007.

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 Standard,s* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 10, 2007.

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



Mary Taylor, CPA
Auditor of State

August 10, 2007

VILLAGE OF HANGING ROCK
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Finding for Recovery – Repaid Under Audit

Ohio Attorney General Opinion No. 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman (1951), 155 Ohio St. 320*, provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228.*

On December 7, 2005, the Village paid for a Christmas dinner for employees and elected officials which included the purchase of alcoholic beverages totaling \$189.50. The Village also paid for a Christmas dinner for employees and elected officials on December 11, 2006 which included the purchase of alcoholic beverages totaling \$92.50.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Sections 9.24(H)(3) and 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Mayor Christopher R. Davidson, Village Clerk Carole Goldcamp, Village Council Members Jeanette Waginger, John Large, Jarod Robinson, Michael Chatfield, Debra Sanders, Michael Chinn, and their bonding company, Ohio Government Risk Management Plan, jointly and severally in the amount of \$189.50 and in favor of the Village of Hanging Rock General Fund.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Sections 9.24(H)(3) and 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Mayor Christopher R. Davidson, Village Clerk Carole Goldcamp, Village Council Members Jeanette Waginger, Susan Fatony, Jarod Robinson, John Waginger, Debra Sanders, Kim Chinn, and their bonding company, Ohio Government Risk Management Plan, jointly and severally in the amount of \$92.50 and in favor of the Village of Hanging Rock General Fund.

The finding was paid to the Village of Hanging Rock by Carole Goldcamp on August 6, 2007 on check number 115740 for \$282.

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002

Finding for Recovery – Repaid Under Audit

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

The total amount collected by the Mayor’s Court and due to the Treasurer of State as of December 31, 2006 was \$2,501. However, this amount was not remitted to the Treasurer of State.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but unaccounted for is hereby issued against Mayor Christopher R. Davidson and Ohio Government Risk Management Plan, jointly and severally, in the amount of two thousand five hundred and one dollar (\$2,501) and in favor of the State of Ohio, General Revenue Fund (\$2,384) and Victims of Crime Fund (\$117).

The finding was paid by the Village of Hanging Rock from the Mayor’s Court bank account on July 25, 2007 on check number 604 for \$2,501.

FINDING NUMBER 2006-003

Finding for Recovery – Repaid Under Audit

Ohio Rev. Code Section 731.13 states the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise provided by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. All bonds shall be made with sureties subject to the approval of the mayor. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. This section does not prohibit the payment of any increased costs of continuing to provide the identical benefits provided to an officer at the commencement of his term of office.

The Village Council approved to give its elected officials Christmas bonuses on December 5, 2005 and on December 4, 2006. This payment was in addition to their approved salary amounts. They were paid as follows:

Check #	Date	Amount	Description	Payee	Position
17174	12/11/2006	\$100	Christmas Bonus	Debra Sanders	Council Member
17175	12/11/2006	\$100	Christmas Bonus	Jarrod Robinson	Council Member
17176	12/11/2006	\$100	Christmas Bonus	Jeanette Waginger	Council Member
16288	12/19/2005	\$100	Christmas Bonus	Debra Sanders	Council Member
16289	12/19/2005	\$100	Christmas Bonus	Jarrod Robinson	Council Member
16293	12/19/2005	\$100	Christmas Bonus	Jeanette Waginger	Council Member

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-003 (Continued)

Finding for Recovery – Repaid Under Audit (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against each of the individuals listed above, the Village Clerk, Carole Goldcamp, and their bonding company, Ohio Government Risk Management Plan, jointly and severally, for each amount listed above, in the total amount of six hundred dollars (\$600), and in favor of the Village of Hanging Rock's General Fund.

The finding was paid to the Village of Hanging Rock by Carole Goldcamp on August 6, 2007 on check number 115740 for \$600.

FINDING NUMBER 2006-004

Finding for Adjustment – Repaid Under Audit / Noncompliance / Significant Deficiency

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

During the course of the audit, were noted three separate instances of non-compliance regarding the above Ohio Rev. Code section. They were as follows:

1. All money received for the Village Mayor should be paid into Village after the first Monday of the month. However, the payments to the Village were consistently late by as many as two months.
2. The Village Mayor presented a statement to Village Council each month; however, the statement only contained the total received for the month as well as the breakdown of where the moneys were to be distributed. A full statement should include all money received, from who and for what purpose received, and when paid into the treasury.
3. The Village Mayor did not attempt to reconcile the Mayor's Court bank account in 2005 and 2006. This resulted in cumbersome reconciliations and errors in the account going undetected for an extended period of time. These errors included the following items:
 - Interest earned on the Mayor's Court bank account was not recorded in the Mayor's Court cashbook and subsequently paid into the Village.
 - Returned deposited items and bank fees were not deducted from the amount paid into the Village.
 - Refunds to defendants for overpayment of fines were not always deducted from the amount paid into the Village.
 - Long outstanding items existed throughout the audit period.

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-004

**Finding for Adjustment – Repaid Under Audit / Noncompliance / Significant Deficiency
(Continued)**

- Receipts were deposited into the Mayor's Court bank account which were not posted to the Mayor's Court computer system.

As a result, there were monies due to the Village that had not been paid in. As of December 31, 2006, the Mayor's Court owed the Village's General Fund \$13,450.93 and the Village's Mayor's Court Computerization Fund \$526. The finding for adjustment was repaid to the Village's General Fund by the Mayor's Court on July 25, 2007 on check number 603. The finding for adjustment was repaid to the Village's Mayor's Court Computerization Fund on July 25, 2007 on check number 602. The financial statements have been adjusted to reflect these amounts.

We recommend monies collected by the Village Mayor be paid into the Village by the first Monday of each month. We recommend the monthly statements presented to the Village Council contain detailed information as to who the monies were from and for what purposes received. Lastly, we recommend the Village Mayor reconcile this account on a monthly basis to ensure that all monies received in are properly disbursed out to the correct parties.

FINDING NUMBER 2006-005

Noncompliance / Significant Deficiency

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

The Village did not pass an appropriation measure for 2005. In addition to this, they did not approve the 2006 permanent appropriation measure until May 1, 2006. Failure to approve the permanent appropriation measure in a timely manner could result in overspending due to a lack of monitoring.

We recommend the Village ensure an appropriation measure is approved on or about the first day of each fiscal year.

FINDING NUMBER 2006-006

Noncompliance / Significant Deficiency

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

VILLAGE OF HANGING ROCK
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-006 (Continued)

Noncompliance / Significant Deficiency (Continued)

In 2005, there were no approved appropriations on file, thus all expenditures from all funds exceeded appropriations. In addition to this, in 2006, we noted that expenditures (\$19,345) exceeded appropriations (\$15,000) by \$4,345 for the materials and supplies line item in the Mayor's Court Computerization Fund. This could result in overspending if not monitored.

We recommend the Village monitor financial activity to ensure their expenditures do not exceed the amount appropriated.

FINDING NUMBER 2006-007

Noncompliance / Significant Deficiency

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity 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.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 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 expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

VILLAGE OF HANGING ROCK
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-007 (Continued)

Noncompliance / Significant Deficiency (Continued)

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty-four percent (54%) of disbursements tested in 2005 and forty-four percent (44%) of disbursements tested in 2006 had invoice dates preceding the encumbrance date. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Village Clerk certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials and employees obtain the Village Clerk's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41 (D) requires to authorize disbursements. The Village Clerk should sign the certification at the time the Village incurs the commitment, and only when the requirements of Section 5705.41 (D) are satisfied. The Village Clerk should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF HANGING ROCK
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Lack of Council approval for payments.	Yes	
2004-002	Mayor's Court Reconciliations	No	Not corrected – See finding number 2006-004
2004-003	Mayor's Court Finding for Recovery for incorrect fees.	Yes	Repaid under prior year audit
2004-004	Mayor's Court Computer Fee Fund	Yes	
2004-005	Ohio Rev. Code Section 5705.41(B): Expenditures exceeded appropriations	No	Not corrected – See finding number 2006-006
2004-006	Ohio Rev. Code Section 5705.41 (D): Did not properly certify funds for expenditure	No	Not corrected – See finding number 2006-007



Mary Taylor, CPA
Auditor of State

VILLAGE OF HANGING ROCK

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 2, 2007**