



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF HARVEYSBURG
WARREN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Harveysburg
Warren County
79 E Main St
P. O. Box 189
Harveysburg, Ohio 45032

To the Village Council:

We have audited the financial statements of the Village of Harveysburg, Warren County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998. 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 audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

The Village did not provide sufficient documentation supporting the water fund receipts recorded as charges for services in the Enterprise Fund and the mayor's court receipts as recorded in the Agency Fund. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the Enterprise Fund and the Agency Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Water Fund receipts represent 100% of charges for services in the Enterprise Fund type and Mayor's Court receipts represent 100% of receipts recorded in the Agency Fund.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient documentation supporting the Village's charges for services in the Enterprise Fund and the mayor's court receipts of the Agency Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and 1998, and its combined unclassified cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As discussed in Note 12, to the financial statements, the Village is experiencing significant financial difficulties.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2000, 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 grants.

This report is intended solely for the information and use of the Audit Committee, management, and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 20, 2000

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$12,977	\$4,436	\$0	\$17,413
Intergovernmental Receipts	13,287	15,864	0	29,151
Fines	19,499	0	0	19,499
Earnings on Investments	1,847	0	0	1,847
Unclassified	18,757	3,331	68,569	90,657
	<u>66,367</u>	<u>23,631</u>	<u>68,569</u>	<u>158,567</u>
Total Cash Receipts				
	<u>66,367</u>	<u>23,631</u>	<u>68,569</u>	<u>158,567</u>
Cash Disbursements:				
Unclassified	111,428	32,793	82,939	227,160
	<u>111,428</u>	<u>32,793</u>	<u>82,939</u>	<u>227,160</u>
Total Disbursements				
	<u>111,428</u>	<u>32,793</u>	<u>82,939</u>	<u>227,160</u>
Total Receipts Over/(Under) Disbursements	<u>(45,061)</u>	<u>(9,162)</u>	<u>(14,370)</u>	<u>(68,593)</u>
Fund Cash Balances, January 1	31,540	6,674	0	38,214
	<u>31,540</u>	<u>6,674</u>	<u>0</u>	<u>38,214</u>
Fund Cash Balances, December 31	<u>(\$13,521)</u>	<u>(\$2,488)</u>	<u>(\$14,370)</u>	<u>(\$30,379)</u>

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

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ENTERPRISE AND AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$34,684	\$0	\$34,684
Unclassified	5,758	0	5,758
Total Operating Cash Receipts	40,442	0	40,442
Operating Cash Disbursements:			
Unclassified	89,458	0	89,458
Total Operating Cash Disbursements	89,458	0	89,458
Operating Income/(Loss)	(49,016)	0	(49,016)
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	0	24,422	24,422
Earnings from Investments	10,162	0	10,162
Total Non-Operating Cash Receipts	10,162	24,422	34,584
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	23,060	23,060
Total Non-Operating Cash Disbursements	0	23,060	23,060
Net Receipts Over/(Under) Disbursements	(38,854)	1,362	(37,492)
Fund Cash Balances, January 1	110,006	614	110,620
Fund Cash Balances, December 31	<u>\$71,152</u>	<u>\$1,976</u>	<u>\$73,128</u>

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

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$13,128	\$0	\$13,128
Special Assessments	1,183	0	1,183
Intergovernmental Receipts	20,019	15,585	35,604
Fines	21,985	0	21,985
Earnings on Investments	2,445	0	2,445
Unclassified	<u>38,418</u>	<u>72</u>	<u>38,490</u>
 Total Cash Receipts	 <u>97,178</u>	 <u>15,657</u>	 <u>112,835</u>
Cash Disbursements:			
Unclassified	<u>76,956</u>	<u>20,005</u>	<u>96,961</u>
 Total Disbursements	 <u>76,956</u>	 <u>20,005</u>	 <u>96,961</u>
 Total Receipts Over/(Under) Disbursements	 <u>20,222</u>	 <u>(4,348)</u>	 <u>15,874</u>
 Fund Cash Balances, January 1 (Restated, Note 10)	 <u>11,318</u>	 <u>11,022</u>	 <u>22,340</u>
Fund Cash Balances, December 31	<u>\$31,540</u>	<u>\$6,674</u>	<u>\$38,214</u>

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

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ENTERPRISE AND AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$79,651	\$0	\$79,651
Total Operating Cash Receipts	79,651	0	79,651
Operating Cash Disbursements:			
Unclassified	84,106	0	84,106
Total Operating Cash Disbursements	84,106	0	84,106
Operating Income/(Loss)	(4,455)	0	(4,455)
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	759	27,518	28,277
Total Non-Operating Cash Receipts	759	27,518	28,277
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	27,189	27,189
Total Non-Operating Cash Disbursements	0	27,189	27,189
Net Receipts Over/(Under) Disbursements	(3,696)	329	(3,367)
Fund Cash Balances, January 1 (Restated, Note 10)	113,702	285	113,987
Fund Cash Balances, December 31	<u>\$110,006</u>	<u>\$614</u>	<u>\$110,620</u>

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

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Harveysburg, Warren County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 present unclassified amounts which is a departure from the financial statement presentation prescribed by the Auditor of State in the Ohio Administrative Code, Section 117-5. Additionally, adequate financial records were not maintained as required in the Ohio Administrative Code, Section 117-5.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Village funds are pooled in a checking account with a local commercial bank. Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Permanent Improvement Fund - This fund accounted for funds used to construct a new municipal garage.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Water Bond Fund - This fund receives a portion of charges for services from residents to repay the debt that funded the construction of improvements to their water system.

5. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Mayor's Court Agency Fund - The Village acts in an agency capacity and accounts for fines collected by the Mayor's Court and distributed to the Village and State agencies.

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 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.

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not encumber all commitments required by Ohio law. However, a review was performed to determine the amount of encumbrances at year end which were not recorded. As of December 31, there were no material unrecorded encumbrances outstanding.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>1999</u>	<u>1998</u>
Mayor's Court demand deposits	\$ 1,976	\$ 614
Demand deposits	40,773	111,220
Certificates of deposit	0	37,000
Total deposits	\$ 42,749	\$ 148,834

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 85,861	\$ 66,367	\$ (19,494)
Special Revenue	41,000	23,631	(17,369)
Capital Projects	0	68,569	68,569
Enterprise	88,430	50,604	(37,826)
Total	\$ 215,291	\$ 209,171	\$ (6,120)

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 79,200	\$ 111,428	\$ (32,228)
Special Revenue	28,300	32,793	(4,493)
Capital Projects	0	82,939	(82,939)
Enterprise	68,900	89,458	(20,558)
Total	\$ 176,400	\$ 316,618	\$ (140,218)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 96,275	\$ 97,178	\$ 903
Special Revenue	15,000	15,657	657
Enterprise	106,730	80,410	(26,320)
Total	\$ 218,005	\$ 193,245	\$ (24,760)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 53,335	\$ 76,956	\$ (23,621)
Special Revenue	30,000	20,005	9,995
Enterprise	122,580	84,106	38,474
Total	\$ 205,915	\$ 181,067	\$ 24,848

Expenditures exceeded appropriation authority in the following funds:

1998 - General and Water Bond Funds

1999 - General, Street, Permanent Improvement, Water Department and Water Bond Funds

Estimated receipts exceeded actual receipts in the following funds:

1998 - Street, Water Department, Water Reserve and Water Bond Funds

1999 - General Fund, State Highway, Permissive Tax, Police Levy, Water Department and Water Bond Funds

Appropriations exceeded estimated resources in the following funds:

1998 - Street and Permissive Tax Funds

1999 - Street Fund

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
USDA, Rural Development Loan	\$ 181,100	5.75%
USDA, Rural Development Loan	54,400	6%
Bond Anticipation Notes	12,000	5%
Real Estate Promissory Note	7,000	0%
Total	\$ 254,500	

The USDA Rural Development Loans were acquired by the Village in July 1989. These loans were acquired by the Village for improvements to their water tower and water system. The Village did not maintain rates to collect revenues sufficient to promptly pay all expenses incident to the operation of the system and was often running in the negative. The Village also did not maintain complete books and records relating to the operation of the system and its financial affairs. Disbursements were made from the reserve fund without the required permission of the FMHA. All of these items were contradictory to the covenants in the debt documents. These loans were assumed by Warren County in January 2000. See Note 11.

The Motor Vehicle Bond Anticipation Note was renewed in 1998 and 1999. The original proceeds from these notes were used by the Village to purchase a police cruiser and various other Village owned motor vehicles. These renewals and payments should have been paid from the bond retirement fund established but never used by the Village. The Village did not record the proceeds from the renewal of notes and the payment of the old note. The debt was rolled over each year and the difference was paid. We did not make an adjustment for the proceeds because it was unclear which fund the proceeds should be allocated to. This Note was renewed in July 2000.

The Real Estate Promissory Note was acquired by the Village in May 1999. This debt was acquired to purchase the real estate used to build the municipal garage and parking lot. The purchase price was \$10,000, with \$3,000 paid at closing and the balance due in May 2000.

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

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT (Continued)

Year ending December 31:	5.75% USDA Loan	6% USDA Loan	Bond Anticipation Notes	Real Estate Promissory Note
2000	\$ 12,813	\$ 7,364	\$ 12,600	\$ 7,000
2001	12,775	7,418	0	0
2002	12,832	7,354	0	0
2003	12,776	7,378	0	0
2004	12,815	7,384	0	0
Subsequent	<u>320,184</u>	<u>37,038</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 384,195</u>	<u>\$ 73,936</u>	<u>\$ 12,600</u>	<u>\$ 7,000</u>

6. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. However, the Village was unable to determine if all contributions required have been paid through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

8. RELATED PARTY TRANSACTIONS

The Village made two payments of \$30 to Doug Grant during the audit period. Doug is the son of Kimble Grant, the former village administrator. These payments were supported only by a note written by the former administrator to make payment and his handwriting on the voucher to make payment for the other \$30.

9. COMPLIANCE

Transfers made by the Village Clerk were not approved by council and were not allowable per the Ohio Revised Code. They appear to violate the debt covenant for the water tower.

The Village did not properly encumber all of its expenditures as required by the Ohio Revised Code.

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

9. COMPLIANCE (Continued)

There were negative fund balances in the following funds:

- 1998 - Street Fund
- 1999 - General, Street and Permanent Improvement Funds

The Village did not maintain their utility receipt records.

The Mayor did not submit revenue to the Village in a timely manner.

The Village had various findings for recovery related to former employees illegally expending public funds and public monies collected but unaccounted for.

10. PRIOR YEAR RESTATEMENT

In the previous audit, the financial statements for the agency fund reflected an inaccurate fund book balance at December 31, 1997. Also in the previous audit, a variance of \$2,312 was noted between the books and the bank in the general fund. The bank has \$2,312 more in it than the Village fund balance. This variance was consistent in this audit and was adjusted to bring the books and bank into balance. These items resulted in the following restatements of beginning fund balance :

<u>Fund</u>	<u>Amount at December 31, 1997</u>	<u>Restatement</u>	<u>Restated Amount - January 1, 1998</u>
Agency	\$2,761	\$(2,476)	\$285
General	9,006	2,312	11,318

11. SUBSEQUENT EVENTS/WATER OPERATIONS AND ENTERPRISE FUND BALANCES

On January 24, 2000, the Village turned over the water and sewer operations to Warren County. As detailed in a written agreement dated January 25, 2000 between the Village and the Warren County Commissioners, the Village is to turn over all water funds and equipment associated with the water department as of January 25, 2000, and is to certify to the County Auditor the delinquent water and sewer accounts to be assessed against the resident's taxes as of this date. The Village did not maintain records adequate to support or determine delinquent accounts at the end of the Village's water and sewer operations in violation of the agreement with Warren County. As part of this written agreement, Warren County assumed the USDA Rural Development Loans acquired by the Village in July 1989. The County paid off these loans on February 4, 2000 for a total amount of \$243,669.

In addition to transferring water operations to Warren County, the Village and Warren County agreed to have the Village perform one last reading and billing in December 1999. The Village was to collect the monies and remit all funds collected to Warren County. The County agreed to use these readings as the starting point when the Village ceased water operations and the County took over in January 2000.

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

**11. SUBSEQUENT EVENTS/WATER OPERATIONS AND ENTERPRISE FUND BALANCES
(Continued)**

The table below details the Water Enterprise Fund Balance as of the date of this report and is used to determine the amount owed to Warren County per their agreement.

	<u>Water Fund</u>	<u>Water Bond Fund</u>	<u>Water Reserve Fund</u>	<u>Total Water Enterprise Fund</u>
Fund Balance at December 31, 1999	\$8,403	\$7,146	\$55,603	\$71,152
Village Receipts:				
Collections for December Billings	16,713	0	0	16,713
USDA receipt	37	0	0	37
Village Disbursements:				
Payment on Subscription	(155)	0	0	(155)
Payment for Copier Repair	(44)	0	0	(44)
Payment for Electric Bill	(42)	0	0	(42)
Payments for PERS	(155)	0	0	(155)
Payments for Workers Compensation	(689)	0	0	(689)
Payment to State for Taxes	(13)	0	0	(13)
Payment to R Gibbs - Refund Water	(77)	0	0	(77)
Reimbursements Paid on Water Bills to Residents	(3,315)	0	0	(3,315)
Payments of Funds to Warren County	<u>(7,044)</u>	<u>0</u>	<u>(8,000)</u>	<u>(15,044)</u>
Fund Balance	\$13,619	\$7,146	\$47,603	\$68,368

As of the date of this report, the Village owes Warren County \$68,368 per their agreement dated January 25, 2000.

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

12. SUBSEQUENT EVENT/FISCAL WATCH DETERMINATION

The Village is experiencing financial difficulties, as of December 31, 1999 the General Fund had a deficit balance of \$13,521, Special Revenue Street Fund had a deficit of \$28,671 and the Capital Project Fund had a deficit balance of \$14,370. These negative cash fund balances were covered by the \$71,151 cash balance in the Enterprise Fund. However, as noted in Finding Number 1999-30483-001 the Village has a finding for recovery issued against the Enterprise Funds in the total amount of \$68,368. In February 2000, the Village bank account was overdrawn by approximately \$9,000.

The Auditor of State, Local Government Services Division (LGS) was contacted by the Village regarding their financial difficulties and LGS is currently assisting the Clerk in posting their financial transactions and reconciling their accounts for 2000. Additionally, LGS performed a fiscal analysis under the criteria established in Ohio Revised Code, Chapter 118.

On December 19, 2000, the Local Government Services Division of the Auditor of State's Office issued a report to officials of the Village, which details the criteria and results of the fiscal watch review. The conclusion of this report was that a fiscal watch condition existed under Sections 118.022(A)(2) and 118.022(A)(3). The Village of Harveysburg was declared under fiscal watch on December 19, 2000.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Harveysburg
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Harveysburg, Ohio 45032

To the Village Council:

We have audited the financial statements of the Village of Harveysburg, Warren County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998. We have issued our report thereon dated December 20, 2000, which was qualified for lack of supporting documentation for Enterprise Fund receipts and mayor's court receipts as recorded in the Agency Fund and had an emphasis of the matter that the Village was experiencing significant fiscal difficulties. Except for the items describe above, we conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30483-001 through 1999-30483-021.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-30483-014 and 1999-30483-022 through 1999-30483-025.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated December 20, 2000.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe all of the reportable conditions described above are material weaknesses.

This report is intended for the information and use of the Audit Committee, management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 20, 2000

**VILLAGE OF HARVEYSBURG
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30483-001

**Finding for Recovery - Water Enterprise Fund Balances due Warren County
Contract Noncompliance**

As detailed in Note 11 to the financial statements, on January 24, 2000, the Village Council approved Resolution 0-00-03, which authorized the Mayor to sign a water contract with Warren County, (the County), which transfers the public water system improvements within the Village to the County for ownership, operation and maintenance. The contract stipulates that the Village shall immediately transfer to the County all funds within the Water Enterprise Funds. The Village also agreed to collect for the last water billing in December 1999 and remit these funds to the County. The Water Enterprise Fund balances calculated as of the date of this report amounts to \$68,368.

A Finding for Recovery is issued against the Village of Harveysburg's Water Fund in favor of the Warren County Board of Commissioners in the amount of \$68,368 for the Water Enterprise funds balance due to the County in accordance with their contractual agreement.

FINDING NUMBER 1999-30483-002

Finding For Recovery - Computer Leases

Mr. Kimble Grant, Village Administrator, entered into three lease agreements with Fleet Leasing on behalf of the Village. Each of the lease agreements stated the "Lessee" was "Harveysburg Corp" and each agreement was signed by Kimble Grant, Village Administrator. There were no other signatures observed on the lease agreements. The following agreements were entered into by Mr. Grant on behalf of the Village:

- A. Agreement No. 1302534 was entered into by Kimble Grant on February 4, 1999, for three computers. We located these three computers in the Village Clerk's Office and the Police Department.
- B. Agreement No. 1296102 was entered into by Mr. Grant on December 8, 1998, for one HP computer, monitor and printer. We were unable to locate this computer in the Village Offices. Through a review of the payments made by the Village to Fleet Leasing, we identified \$516.68 in payments made by the Village for this computer.
- C. Agreement No. 1299966 was entered into by Mr. Grant on February 15, 1999, for a Compaq Laptop computer. We were unable to locate this computer in the Village Offices. Through a review of the payments made by the Village to Fleet Leasing, we identified \$146.76 in payments made by the Village for this computer.

We discussed the missing computers with Mr. Grant who indicated the desktop computer obtained through Agreement No. 1296102 and the laptop computer obtained through Agreement No. 1299966 were his personal computers and were located at his home. He stated that he originally leased the computers on behalf of the Village; however, the Village later decided not to lease the computers. He stated he contacted Fleet Leasing and requested that the invoices be sent directly to his personal address as the computers were used for his personal use and not Village use. He also stated he was making the monthly payments on the computers. However, as stated above, we identified \$663.44 in payments made by the Village to Fleet Leasing attributable to the personal computers located in Mr. Grant's home.

FINDING NUMBER 1999-30483-002
(Continued)

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Kimble Grant, former Village Administrator, and his bonding company, Personal Service Insurance Company, jointly and severally, in the amount of \$340.72 in favor of the Village of Harveysburg's Permanent Improvement Fund and in the amount of \$322.72 in favor of the Village of Harveysburg's General Fund.

FINDING NUMBER 1999-30483-003

Finding For Recovery – Village Administrator's Payroll

The employees of the Village of Harveysburg were paid on a bi-weekly basis. Mr. Kimble Grant was hired as Village Administrator by the Village Council at the October 16, 1998 meeting to be paid a salary of \$325 on a bi-weekly basis. On January 11, 1999, the Village Council increased his salary to \$800 a month or \$9,600 a year. At the June 14, 1999, meeting, the Village Council reduced his salary by \$100 a month since Mr. Grant was no longer acting as the Mayor's Court Clerk.

We performed a comparison of the gross salary paid to Mr. Grant to the gross salary authorized by the Village Council for fiscal years 1998 and 1999. We noted no exceptions for fiscal year 1998. In fiscal year 1999, we identified for each pay period the amount of Council authorized gross salary to be paid to Mr. Grant and compared it to the actual gross salary he received. The following table indicates his approved bi-weekly salary, payments to Mr. Grant and any differences:

<u>Pay Period Ending</u>	<u>Amount Authorized by Council</u>	<u>Amount of Gross Payroll Paid to Mr. Grant</u>	<u>Difference (Overpayment)</u>
01/08/99	\$325.00	\$325.00	\$0.00
01/22/99*	369.23	0.00	369.23
02/05/99	369.23	400.00	(30.77)
02/19/99	369.23	400.00	(30.77)
03/05/99	369.23	400.00	(30.77)
03/19/99	369.23	400.00	(30.77)
04/02/99	369.23	400.00	(30.77)
04/16/99	369.23	400.00	(30.77)
04/30/99	369.23	400.00	(30.77)
05/14/99	369.23	400.00	(30.77)
05/28/99	369.23	400.00	(30.77)
06/11/99	369.23	400.00	(30.77)
06/25/99**	323.08	400.00	(76.92)
07/09/99	323.08	350.00	(26.92)
07/23/99	323.08	350.00	(26.92)
08/06/99	323.08	350.00	(26.92)
08/20/99	323.08	350.00	(26.92)
09/03/99	323.08	350.00	(26.92)
09/17/99	323.08	350.00	(26.92)
10/01/99	323.08	350.00	(26.92)
10/15/99	323.08	350.00	(26.92)
10/29/99	323.08	350.00	(26.92)
11/12/99	323.08	350.00	(26.92)
11/26/99	323.08	350.00	(26.92)
12/10/99	323.08	350.00	(26.92)
12/24/99	323.08	350.00	(26.92)
	<u>\$8,909.65</u>	<u>\$9,275.00</u>	<u>(\$365.35)</u>

* Council approved Mr. Grant's salary at \$800 a month or \$9,600 a year. Mr. Grant was paid on a bi-weekly basis which would be \$9,600/26 pays or \$369.23.

** Council reduced Mr. Grant's salary by \$100 a month or \$46.15 ((\$100*12)/26)

FINDING NUMBER 1999-30483-003
(Continued)

We also identified two additional checks issued to Mr. Grant on February 5, 1999, and February 25, 1999, in the amounts of \$366 and \$369, respectively. There was no documentation to support these two additional checks totaling \$735. During the month of February 1999, the Village did not have a Village Clerk/Treasurer. Mr. Grant was preparing the Village checks to be signed by the Police Officer for payment of Village expenditures. The Police Officer was appointed by the Village Council to act as Interim Clerk/Treasurer.

We discussed the two unsupported payments with Mr. Grant who believed the payments could have been for approximately 8 months of mileage reimbursement. However, we observed check No. 5313 issued in February for \$630.40 for 1998 mileage reimbursement as supported by the related voucher package which included a handwritten mileage log with each day and number of miles traveled. We were unable to locate mileage logs supporting the two additional payments of \$366 and \$369.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mr. Kimble Grant, former Village Administrator, and his bonding company, Personal Service Insurance Company, jointly and severally, in the amount of \$1,100.35 in favor of the Village of Harveysburg's General Fund.

FINDING NUMBER 1999-30483-004

Finding For Recovery - Mileage Reimbursement

In reviewing expenditures approved by Council, we identified payments to various Village employees for mileage driven for Village business at the rate of \$.32 per mile. All of the payments except check no. 5313 issued to Mr. Kimble Grant had supporting mileage logs documenting the date of the trip, destination, purpose of the trip, and the mileage driven. On February 4, 1999, the Village issued check no. 5313 to Mr. Kimble Grant \$630.40 as reimbursement for mileage driven on Village business. This payment included in a motion to pay bills and was approved by Council on February 8, 1999. When we reviewed the support for the mileage reimbursement, we were originally presented with a piece of paper with dates and mileage; however, the paper did not include the purposes for the trips. As a result, we were unable to identify whether the mileage was for Village business. When we requested to review the supporting documentation for the reimbursement again, the piece of paper had disappeared.

We interviewed Mr. Grant on September 27, 2000, and requested any additional documentation he had to support the mileage was for Village business. Mr. Grant indicated during the interview the Village Council was concerned regarding the large dollar amount and had discussions in the February 1999 Council meeting before the Council approved the payment. We reviewed the February 8, 1999 Council meeting minutes and noted no discussions regarding the mileage check were documented. We received additional documents from Mr. Grant on October 30, 2000 with a notation indicating he was paid for 1,970 miles at \$.32 a mile for trips to "LNB and miscellaneous trips." We determined this was insufficient documentation for the reimbursement as we were unable to identify the mileage for each trip and whether it was related to Village business.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Kimble Grant, and his bonding company, Personal Service Insurance Company, jointly and severally, in the amount of \$630.40 in favor of the Village of Harveysburg's General Fund.

FINDING NUMBER 1999-30483-005

Finding For Recovery - Lowes Credit Card

The Village had a Lowes credit card account. We observed all account statements during January 1, 1998 through May 31, 2000 (the Period) and noted numerous charges for purchases totaling \$2,104.75 and finance charges totaling \$108.34 which began in July 1999 and ended in March 2000. Of the total charges to the Lowes credit card account, the Village paid \$2,140.55 and Mr. Grant paid \$72.54. We reviewed the invoices supporting each charge on the statements and identified the following items were charged by Mr. Kimble Grant as evidenced by a copy of the signed receipt. We were unable to locate these items in the Village Hall. In addition, we provided a list of these items to former Mayor, Mr. Woody Andrews, as well as, the current Mayor Perry Shepard, who stated the items were not purchased for the Village's use:

<u>Date of Purchase</u>	<u>Item</u>	<u>Amount of Item</u>	<u>Sales Tax Paid*</u>	<u>Total Paid</u>
06/17/99	Power Pump Gras #	\$12.87	\$0.77	\$13.64
	Gas Grill Burner	27.98	1.68	29.66
	Ladder	123.00	7.38	130.38
	10 bags of Top Soil	14.70	0.88	15.58
	10 bags of Pine Mulch	27.70	1.66	29.36
06/21/99	5 Pieces of Lattice	59.75	3.59	63.34
	Treated Lumber	20.81	1.25	22.06
	Medium Chiminea	177.00	10.62	187.62
	Picket Fencing - 15 pieces	20.85	1.25	22.10
	Power Washer	228.00	13.68	241.68
	Washing Machine	359.00	21.54	380.54
07/02/99	Lawn Furniture	555.15	33.31	588.46
07/25/99	BBQ Thermo Fork	<u>19.98</u>	<u>1.20</u>	<u>21.18</u>
		<u>\$1,646.79</u>	<u>\$98.81</u>	<u>\$1,745.60</u>

* Per Department of Taxation, the Sales Tax rate is 6% on purchases.

We were unsure what "Gras" meant and therefore, we contacted Lowes. Lowes was unable to provide any additional information. We believe this may be a chemical for lawn treatment.

We discussed the missing items listed above with Mr. Grant who stated the above purchases were his personal purchases and not for Village use.

FINDING NUMBER 1999-30483-005
(Continued)

In addition to the purchase price and sales tax discussed above, the credit card account accrued finance charges totaling \$108.34 which were paid from Village funds. In order to reasonably determine what portion of the finance charges were attributable to Mr. Grant's personal items, we prorated the total finance charges of \$108.34 based upon the percentage of total purchases which were Mr. Grant's personal items and those items which were Village items. Using this rationale, we concluded that \$104.06 of the \$108.34 of finance charges were attributable to Mr. Grant's personal items and only \$4.28 of the \$108.34 was attributable to Village items.

Mr. Grant provided documentation from his bank account on October 30, 2000 indicating he made a payment of \$72.54 on the Village's account at Lowe's. This payment agreed with the payment recorded on the March 2000 Lowes credit card statement.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Kimble Grant, and his bonding company, Personal Service Insurance Company, jointly and severally, in the amount of \$1,777.12 (\$1,745.60 + \$104.06-\$72.54) in favor of the Village of Harveysburg's Permanent Improvement Fund.

FINDING NUMBER 1999-30483-006

Finding For Recovery - Sams Club Account

The Village had a Sam's Club credit card account. We observed all account statements during the Period and noted numerous charges for purchases totaling \$2,607.94, finance charges totaling \$210.75, an administrative fee totaling \$10, and late fees totaling \$135 which began in April 1999 and ended in May 2000. Of the total charges to the Sams Club credit card account, the Village paid \$2,148.12 and an unknown source paid \$815.57. We issued a subpoena to Sam's Club requesting it provide us with the individual charge slips so that we could identify the signature of the purchaser. Sam's Club provided us with all but two charge slips; the slip supporting a charge of \$2,071.27 on April 15, 1999 and six charges totaling \$64.42 on June 22, 1999. (See table below identified as "Purchased By Unknown".) We spoke with representatives from Sam's Club to confirm that they had no charge slip on file for these charges. They confirmed that no additional information could be located; however, they indicated that the only authorized signatory on the Village's Sam's Club account was Mr. Kimble Grant.

We reviewed all of the charge slips that were provided to us by Sam's Club and identified items which were purchased on December 20, 1999 and January 26, 2000 which were signed by Mr. Kimble Grant, former Village Administrator. (See table below identified as "Purchased by Kimble Grant").

We were unable to locate the following items purchased at Sam's Club in the Village Hall. In addition, we provided a list of these items to former Mayor, Mr. Woody Andrews, as well as, the current Mayor, Perry Shepard, who stated the items were not purchased for the Village's use:

FINDING NUMBER 1999-30483-006
(Continued)

Date of Purchase	Item		Dollar Amount	Purchased By
04/15/99	Unknown	*	\$2,071.27	Unknown
06/22/99	Farley Fruit Snacks		5.35	Unknown
	3 Pk Photo Frame Assortment		2.71	Unknown
	Scented Candles	*	6.92	Unknown
	Bounce Singles 160 ct		5.99	Unknown
	Animal Crackers	*	3.57	Unknown
	Wisk Ultra Liquid	*	39.88	Unknown
12/20/99	Deluxe World	*	29.91	Kimble Grant
	Paper Products for Christmas Party		43.38	Kimble Grant
	JVC CD Boombox	*	159.96	Kimble Grant
	Kenwood 5 CD Disk Changer	*	99.98	Kimble Grant
01/26/00	Food Items	*	11.48	Kimble Grant
	Laundry Items	*	<u>70.45</u>	Kimble Grant
			<u>\$2,550.85</u>	

We discussed the above purchases with Mr. Grant. Mr. Grant identified those purchases which he made for personal use (Designated with an asterisk (*) in the table above). In addition, Mr. Grant indicated he believes the \$2,071.27 charge dated April 15, 1999 was attributable to items which he purchased for his personal use which included a lawnmower. Mr. Grant showed us two credit cards in his possession for Sam's Club; one card was for the Village's account and the other was for his personal account. The cards were different in color and both contained his name on the front. Mr. Grant stated that he believed the personal items which he identified in the table above were being charged to his personal account, not the Village's account.

Although Mr. Grant did not identify the fruit snacks, photo frame, bounce fabric softener sheets, and Christmas party supplies as his personal purchases, we believe they were items which he purchased for personal use because a) Mr. Grant is the only authorized signatory on the Village's Sam's Club account; b) the Village does not own a dryer and thus, would not use fabric softener sheets; c) the fruit snacks and photo frame were made on the same day as other personal purchases identified by Mr. Grant; and d) according to the former Village Clerk and Mayor, the Village did not have a Christmas party or have any need for Christmas paper products.

When comparing the payment information reflected on the Sam's Club statements to the checks which the Village issued to Sam's Club, we noted that \$815.57 of payments were posted to the account which were not made from Village funds. During our interview with Mr. Grant, he indicated that he did make personal payments on the Village's account when he learned of his personal purchases were charged to the Village's account. Since Mr. Grant was the only person authorized to use this account, we assume it was he who made these payments totaling \$815.57.

FINDING NUMBER 1999-30483-006
(Continued)

In addition to the charges discussed above for the individual items, the credit card account accrued finance charges totaling \$210.75 which were paid from Village funds. In order to reasonably determine what portion of the finance charges were attributable to Mr. Grant's personal items, we prorated the total finance charges of \$210.75 based upon the percentage of total purchases which were Mr. Grant's personal items and those items which were Village items. Using this rationale, we concluded that \$210.11 of the \$210.75 of finance charges were attributable to Mr. Grant's personal items and only \$.64 of the \$210.75 was attributable to Village items.

Taking into consideration all information discussed above, we conclude that Mr. Grant owes the Village of Harveysburg \$1,945.39 for his personal purchases calculated as follows:

Mr. Grants Personal Purchases for the period April 1999 through May 2000	\$2,550.85
Plus: Finance Charges Related to Mr. Grant's Personal Charges	<u>210.11</u>
Total Items and Finances Charges Attributable to Mr. Grants Personal Use	2,760.96
Less: Personal Payments made to the Village's account by Mr. Grant	<u>(815.57)</u>
Amount Owed to Village by Mr. Grant	<u>\$1,945.39</u>

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Kimble Grant, and his bonding company, Personal Service Insurance Company, jointly and severally, in the amount of \$906.00 in favor of the Village of Harveysburg's Permanent Improvement Fund and in the amount of \$1,039.39 in favor of the General Fund.

FINDING NUMBER 1999-30483-007

Finding For Recovery - Staples Account

The Village had a Staples credit card account. We observed the account statements and all of the invoices during the Period and noted numerous charges for purchases of \$6,106.17 and sales tax \$56.70 totaling \$6,162.87 which was charged to the statements during January 1999 through January 2000. Of purchases totaling \$6,162.87, \$5,149.07 was charged to the Village's credit card account and the remaining \$1,013.80 was paid by an outside source at the time of purchase. We verified with Staples customer representatives the miscellaneous adjustments totaling \$1,013.80 on the invoices totaling \$6,162.87 were payments from an outside source at the time of purchase. The Village remitted payments to Staples totaling \$5,152.72 for the purchases and sales tax. The difference of \$3.65 between the Village's payments totaling \$5,152.72 and the remaining purchases of \$5,149.07 was the result of the Village paying additional monies above the amounts recorded on the billing statements.

We reviewed all related invoices supporting each charge on the statements and identified the following items were charged by Mr. Kimble Grant as evidenced by a copy of the signed receipt. We were unable to locate these items in the Village Hall. In addition, we provided a list of these items to former Mayor, Mr. Woody Andrews, as well as, the current Mayor, Perry Shepard, who stated the items were not purchased for the Village's use:

**FINDING NUMBER 1999-30483-007
 (Continued)**

Date of Invoice	Item		Amount Invoiced	Tax Paid@	Total	Purchased by
12/16/98	Drafix Quickcad		\$59.99	\$3.60	\$63.59	Kimble Grant
01/14/99	Nokia 2180 Cell Phone**		108.62	0.00	108.62	Kimble Grant
01/22/99	Loony Toon Pens and Batteries	*	4.99	0.00	4.99	Kimble Grant
01/22/99	Watch Batteries		5.97	0.00	5.97	Kimble Grant
02/09/99	2 Foot Laptop Cable	*	9.77	0.00	9.77	Kimble Grant
02/09/99	Sharp Calculator		39.96	0.00	39.96	Kimble Grant
02/23/99	My Drawing Tablet		1.99	0.00	1.99	Kimble Grant
02/23/99	Kids First Classic Colors	*	2.99	0.00	2.99	Kimble Grant
02/23/99	Premium Desktop Keyboard Stacker		49.99	0.00	49.99	Kimble Grant
02/26/99	My Prof Business Cards CD		39.99	2.40	42.39	Kimble Grant
04/28/99	Turbo Card Designer CD		29.97	0.00	29.97	Kimble Grant
04/28/99	Polaroid Pop-Shots		18.99	0.00	18.99	Kimble Grant
05/11/99	Nokia Cell Phone Power Cord		29.99	0.00	29.99	Kimble Grant
05/27/99	Printer and Warranty		328.95	0.00	328.95	Kimble Grant
05/27/99	Transparency Film for Inkjet Printer		29.99	0.00	29.99	Kimble Grant
06/18/99	Cordless Phone		169.96	10.20	180.16	Kimble Grant
06/18/99	Battery for Nokia Mobile Phone		59.99	0.00	59.99	Kimble Grant
07/21/99	A/B Connection Printer Cable		24.99	0.00	24.99	Kimble Grant
07/21/99	Whitetail Fever Jewel computer game	*	9.99	0.00	9.99	Kimble Grant
08/22/99	Computer w/ Warranty	*	599.57	0.00	599.57	Kimble Grant
08/22/99	8.5x11 Document Frame		12.38	0.00	12.38	Kimble Grant
12/14/99	Mappack 6.0 - Computer Software		<u>49.97</u>	<u>0.00</u>	<u>49.97</u>	Kimble Grant
			<u>\$1,689.00</u>	<u>\$16.20</u>	<u>\$1,705.20</u>	

@ The sales tax for Warren County per the state department of taxation is 6%.

** Mr. Grant indicated he returned the cell phone; however, we were unable to locate the cell phone in the Village Hall and the former Mayor did not know the Village had purchased it.

FINDING NUMBER 1999-30483-007
(Continued)

We discussed the above purchases with Mr. Grant. Mr. Grant identified those purchases which he made for personal use (Designated with an asterisk (*) in the table above). Mr. Grant also stated the remaining items were purchased for the Village. However, a) after searching the Village Hall for the above items; b) discussions of the location and use of the above purchases with the former Mayor, the current Police Chief and the former Clerk; and scanning the hard drives of the computers located in the Village Hall for the above mentioned computer software, we were unable to locate these items in the Village Hall. In addition, Mr. Woody Andrews, the former Mayor, as well as, the current Mayor, Perry Shepard, stated he was not aware of the above items being purchased for the Village.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Kimble Grant, and his bonding company, Personal Service Insurance Company, jointly and severally, in the amount of \$1,705.20 in favor of the Village of Harveysburg's General Fund.

FINDING NUMBER 1999-30483-008

Finding For Recovery - Former Clerk's Payroll

The employees of the Village of Harveysburg were paid on a bi-weekly basis. Ms. Melissa Basham was hired as Village Clerk/Treasurer by the Village Council in February 1999. We were unable to identify the amount of salary the Village Council approved in the minutes because the minutes for the February 22, 1999, meeting were not available for review. We utilized the salary paid to the former Clerk/Treasurer to identify Ms. Basham's bi-weekly salary of \$221. On June 14, 1999, the Village Council increased Ms. Basham's salary \$100 a month to perform the duties as the Mayor's Court Clerk. On June 24, 1999, the Village Council increased Ms. Basham's salary to \$980 a month. In January 2000, the Village Council authorized a 10% increase in the Clerk/Treasurer's salary. Ms. Basham resigned from the Village effective April 10, 2000.

We performed a comparison of the gross salary paid to Ms. Basham to the gross salary authorized by the Village Council for fiscal years 1999 and 2000. We identified for each pay period the amount of gross salary to be paid to Ms. Basham based on the authorized salary and compared the calculated salary to the gross salary she received. The following table indicates her Council approved bi-weekly salary, payments to Ms. Basham and any differences:

FINDING NUMBER 1999-30483-008
(Continued)

PPE:	Amount Approved By Council	Amount Paid By Village Clerk	Difference (Overpayment)
03/05/99	221.00	221.00	0.00
03/19/99	221.00	221.00	0.00
04/02/99	221.00	221.00	0.00
04/16/99	221.00	221.00	0.00
04/30/99	221.00	221.00	0.00
05/14/99	221.00	221.00	0.00
05/28/99	221.00	221.00	0.00
06/11/99*	267.15	271.00	(3.85)
06/25/99	267.15	271.00	(3.85)
07/09/99#	452.31	490.00	(37.69)
07/23/99	452.31	490.00	(37.69)
08/06/99	452.31	490.00	(37.69)
08/20/99	452.31	490.00	(37.69)
09/03/99	452.31	490.00	(37.69)
09/17/99	452.31	490.00	(37.69)
10/01/99	452.31	490.00	(37.69)
10/15/99	452.31	490.00	(37.69)
10/29/99	452.31	490.00	(37.69)
11/12/99	452.31	490.00	(37.69)
11/26/99	452.31	490.00	(37.69)
12/10/99	452.31	490.00	(37.69)
12/24/99	452.31	490.00	(37.69)
01/07/00!	497.54	539.00	(41.46)
01/21/00	497.54	539.00	(41.46)
02/04/00	497.54	539.00	(41.46)
02/18/00	497.54	539.00	(41.46)
03/03/00	497.54	539.00	(41.46)
03/17/00	497.54	539.00	(41.46)
03/31/00	497.54	539.00	(41.46)
04/14/00^	355.39	539.00	(183.61)
	<u>\$11,799.50</u>	<u>\$12,771.00</u>	<u>(\$971.50)</u>

* Village Council increased her salary by \$100 a month or \$46.15 (\$100/mo. x 12 mo. / 26 pays)

Village Council increased her salary to \$980 a month or \$452.31 each pay (\$980/mo x 12 mos./ 26 pays)

! Village Council increased her salary per pay by 10% to \$497.54 (452.31 + (452.31* 10%))

^ Ms. Basham resigned on April 10, 2000; therefore, she was only entitled to payment for April 1 through April 10, 2000 or 10 of the 14 days in the pay period in the amount of \$355.39 or \$497.54 * (10/14).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mrs. Melissa Basham, former Village Clerk, and her bonding company, Personal Service Insurance Company, jointly and severally, in the amount of \$971.50 in favor of the Village of Harveysburg's General Fund.

FINDING NUMBER 1999-30483-009

Finding For Recovery - Building Permit

A building permit was applied for by William Holzhauer on March 31, 1999, for the construction of an Accessory Building/Garage. The total permit fee due to the Village was \$116.75. We observed Ms. Basham signed the application indicating payment was received on April 26, 1999, and the payment was tendered with check #2597. During an interview with Ms. Melissa Basham on September 18, 2000, she indicated she collected the monies for the permit and her signature served as support for receiving the monies. At this time she did not have a duplicate receipt book to provide to the permit applicant a receipt for monies paid.

We were unable to locate these monies being deposited in the bank account through a review of the bank statements and deposit slips. We attempted to obtain supporting documentation this permit was paid by Mr. Holzhauer and received no supporting documentation. However, we did receive a phone call from Mr. Holzhauer indicating he had paid for the permit even though he lived outside of the Village limits.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against Mrs. Melissa Basham, former Village Clerk, and her bonding company, Personal Service Insurance Company, jointly and severally, in the amount of \$116.75 in favor of the Village of Harveysburg's General Fund.

FINDING NUMBER 1999-30483-010

Finding For Recovery - Petty Cash

The Village Council established a Mayor's Court Petty Cash account and an Utilities Petty Cash account in July 1998 to be utilized to provide change when needed by residents who were paying their utility bills or offenders paying their traffic tickets. These accounts were established in the amount of \$200 each on July 31, 1998. Mr. Kimble Grant, former Village Administrator, indicated during his interview, the petty cash accounts were placed in a cash register with programmed keys each time the cash was utilized for Mayor's Court or Utilities expenses. He indicated when the petty cash monies were placed in the register, Ms. Melissa Basham, former Clerk/Treasurer, was responsible for the funds as she was collecting the utility bills and Mayor's Court payments. In addition, we noted Council removed the Mayor's Court duties from Mr. Grant in the June 1999 minutes and provided additional compensation to Ms. Basham to perform such duties.

During fieldwork, we attempted to reconcile the petty cash accounts to verify documentation was available to support the cash expended and the balance maintained in the drawer reflected the activity in the petty cash funds. At the time of the reconciliation, we identified the balances of the Mayor's Court and Utilities Petty Cash funds were \$43.47 and \$1.60, respectively. We also observed receipts totaling \$216.58 for Petty Cash Expenses.

We identified there were two checks totaling \$242.36 written during the period for replenishment of the Utilities Petty Cash account and one check in the amount of \$243.95 written during the period to replenish the Mayor's Court petty cash account. Upon reviewing the supporting documentation for the Mayor's Court Petty Cash replenishment and the Utility Petty Cash replenishment, we were able to locate receipts supporting \$385.81 of these expenses. The remaining \$100 was supported by a check #6937 written to Lebanon Citizens National Bank. The check was signed and endorsed by Ms. Basham. We were unable to verify these monies were placed in the Utilities Petty Cash fund.

FINDING NUMBER 1999-30483-010
(Continued)

We identified \$238.85 of unsupported expenditures utilizing the following calculation:

Total Petty Cash as Established by Council	\$400.00
Plus: Replenishment (\$242.36+243.95)	<u>485.81</u>
Total Monies Available for Petty Cash	\$885.81
Less: Expenses supported by Receipts (\$385.81+216.58)	602.39
Less: Balance of Petty Cash account during Fieldwork	<u>\$45.07</u>
Unsupported Petty Cash Monies Expended	<u><u>\$238.35</u></u>

We conducted two interviews with Ms. Basham who was unable to provide a reasonable explanation or additional supporting documentation to support the replenishment of \$100 to the Utilities Petty Cash Fund or the \$238.35 in unsupported petty cash expenditures identified.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against Mrs. Melissa Basham, former Village Clerk, and her bonding company, Personal Service Insurance Company, jointly and severally, in the amount of \$238.35 in favor of the Village of Harveysburg's General Fund.

FINDING NUMBER 1999-30483-011

Compliance - Audit Adjustments Posted to Village Records

The Village did not expend funds in accordance with their source's purpose. Ohio Rev. Code Section 5705.09, states that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code Section 5705.10, states that money that is paid into a fund must be used only for the purposes for which such fund has been established. The Village did not expend monies in accordance with the particular purpose of each fund. The Village agreed with all adjustments and the financial statements reflect the adjustments listed. The following tables show the effect on fund balances in 1998 and 1999. The Village has made the following adjustments and these adjustments are reflected on the financial statements.

Explanations 1998 FFA	General	Street (Special Revenue)	Water	Water Reserve	Capital Projects
Various expenditures posted incorrectly to the Water fund	\$(394.62)		\$394.62		
Purchase posted incorrectly to the Water fund		\$(364.00)	364.00		
Total Effect on 1998 Fund Balance	\$394.62	\$(364.00)	\$758.62		

FINDING NUMBER 1999-30483-011
(Continued)

Explanations 1999 FFA	General	Street (Special Revenue)	Water	Water Reserve	Capital Projects
Various expenditures posted incorrectly to the Water fund	(5,582.27)		5,582.27		
Engineering services posted incorrectly to the Water fund		(225.00)	225.00		
Office supplies posted incorrectly to the Capital Projects fund	(1,111.71)				1,111.71
CD proceeds illegally transferred to Capital Projects and General Funds	(12,000.00)			47,161.77	(35,161.77)
Illegal transfer of Water Reserve funds to Capital Projects				20,000.00	(20,000.00)
Illegal transfer of Capital Projects funds to General Fund	(11,000.00)				11,000.00
Total Effect on 1999 Fund Balance	(29,693.98)	(225.00)	5,807.27	67,161.77	(43,050.06)

FINDING NUMBER 1999-30483-012

Proper Certification of Funds / Encumbering - Compliance

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Clerk/Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

FINDING NUMBER 1999-30483-012
(Continued)

From our test of expenditures we found that 119 of 120 (99%) of the Village's expenditures were not certified and not properly encumbered prior to the commitment of funds.

FINDING NUMBER 1999-30483-013

Debt - Compliance

Harveysburg Village Ordinance O-1-89 authorizing the issuance of Waterworks System Mortgage Revenue Bonds, Series 1989, requires there to be set aside and deposited in the Reserve Fund, the sum of \$107.16 each month until there is accumulated in such fund the sum of \$12,859 (the "Minimum Reserve"), after which no further deposits are required to be made into such fund except to replace withdrawals. With the approval of the Farmers Home Administration (FMha), the Minimum Reserve shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the System, which may be caused by an unforeseen catastrophe. The ordinance also covenants that the Village will maintain complete books and records relating to the operation of the System and its financial affairs and will cause such books and records to be audited biennially at the end of each fiscal year and an audit report prepared and will furnish to the FMha so long as it is holder of any of the Bonds without request a copy of each audit report and will furnish any other holder of the Bonds a copy of such report upon written request.

The Village had the water reserve fund monies in a Certificate of Deposit (CD). Upon maturity of the CD in 1999, the Village Council approved transferring the water reserve funds to the permanent improvement account and general fund, leaving a balance of \$8,000 in the water reserve fund which was turned over to Warren County when they assumed the Village's water operations in January 2000. This did not meet the minimum balance requirements. The Village also did not maintain complete books and records relating to the operation of the System and its financial affairs as evidenced by the qualified opinions in the current and previous two audits over water and sewer receipts because of the lack of sufficient documentation.

FINDING NUMBER 1999-30483-014

Destruction of Records - Compliance/Material Weakness

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

The Village did not provide adequate utility receipt records. We were unable to audit the utility receipts as a result a qualified opinion was issued related to the Enterprise Fund - Charges for Services. The Village could not provide all minutes, ordinances, or resolutions for the audit period in written form. The Village also did not provide the total amounts available from all sources, budgetary document, nor could it be obtained from the county auditor.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location. Disposal of records should only be made in accordance with an approved records retention schedule.

FINDING NUMBER 1999-30483-015

Negative Fund Balance - Compliance

Ohio Rev. Code, Section 5705.10, provides that money paid into any fund shall be used only for purposes for which such fund is established.

As of December 31, 1998, the Village had a deficit cash balance of \$9,032 in the Street Fund. As of December 31, 1999, the Village had a deficit cash balance of \$13,521 in the General Fund, \$28,671 in the Street Fund and \$14,370 in the Capital Projects Fund. A deficit cash balance indicates that money from another fund(s) has been used to pay the obligations of the aforementioned funds.

FINDING NUMBER 1999-30483-016

Transfers - Compliance

Ohio Rev. Code, Section 5705.14, 5705.15 and 5705.16, govern the transfer of funds. In order to transfer money from fund to fund, these sections require the legislative authority of the Village to pass a resolution authorizing the transfer. Additionally, these code sections require the approval of the court of common pleas.

The Village Clerk made transfers from the Water Reserve Fund to the General and Permanent Improvement (Capital Projects) Funds and from the Permanent Improvement (Capital Projects) Fund to the General Fund without Village Council or court approval. These transfers are improper and violate the debt covenants relating to water reserve funds.

Adjustments have been made for these transfers to the Village's records. The financial statements reflect adjustments to reverse these transfers.

FINDING NUMBER 1999-30483-017

Expenditures Exceeding Appropriations - Compliance

Ohio Revised Code, Section 5705.41(B), prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. In violation of this section, expenditures exceeded appropriations in the following funds:

FUND	EXPENDITURE	APPROPRIATION	VARIANCE
1998			
General	\$76,956	\$53,335	(\$23,621)
Water Bond	20,186	0	(20,186)
1999			
General	111,428	79,200	(32,228)
Water Department	69,215	68,900	(315)
Water Bond	20,244	0	(20,244)
Street	32,794	28,300	(4,494)
Permanent Improvement	82,939	0	(82,939)

FINDING NUMBER 1999-30483-018

Certification of Excesses - Compliance

Ohio Revised Code, Section 5705.36, provides, in part, that upon the determination by a village clerk that the revenue to be collected by the village, respectively, will be less than the amount included in the current certificate, the clerk shall certify the amount of the deficiency to the budget commission, and if the commission determines that the clerk's certification is reasonable, the commission shall certify an amended official certificate reflecting the reduction. The Village did not certify the deficiencies in the following funds:

FUND	ESTIMATED RESOURCES	ACTUAL RECEIPTS	VARIANCE
1998			
Street	\$15,000	\$12,831	(\$2,169)
Water Department	64,300	58,164	(6,136)
Water Bond	21,130	2,022	(19,108)
Water Reserve	21,300	20,244	(1,076)
1999			
General	85,861	66,367	(19,494)
State Highway	12,800	727	(12,073)
Permissive Tax	23,000	1,942	(21,058)
Police Levy	5,100	4,477	(623)
Water Department	65,000	25,612	(39,388)
Water Bonds	21,300	13,482	(7,818)

FINDING NUMBER 1999-30483-019

Appropriations Exceeded Estimated Revenue - Compliance

Ohio Revised Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total estimated revenue. The Village had appropriations that exceeded the total estimated revenue in the following funds:

FUND	ESTIMATED REVENUE	APPROPRIATIONS	VARIANCE
1998			
Street	\$15,000	\$24,500	(\$9,500)
Permissive Tax	0	5,000	(5,000)
1999			
Street	0	28,300	(28,300)

FINDING NUMBER 1999-30483-020

Maintaining of Village Books - Compliance

The Village did not follow these Ohio Administrative Code Sections:

- 117-5-07 establishes guidelines for the proper coding and classification of Village receipts. The Village did not always properly code and classify receipts.
- 117-5-09 requires that a village record each expenditure of village money and each receipt of village money in a cash journal. It also provides that the total of all fund balances in the cash journal must reconcile with the cash balance. The cash balance plus outstanding warrants must agree with the depository balance plus undeposited funds in the hands of the clerk or in transit to the depository. The Village did not maintain a cash journal during 1999.
- 117-5-10 requires that a village post to each receipts account the estimated amount of money to be received into the account as specified by the County budget commission. It also provides that receipts shall be entered in the "Amount Received" column and in the "Credit" column and subtracted from the budget estimate amount ("Balance"). The Village did not maintain a complete receipt ledger during 1999.
- 117-5-11 requires the Village to maintain an appropriation ledger in a complete and accurate form as prescribed. The Village did not maintain a complete, accurate and reliable appropriation ledger during 1999.
- 117-5-13, provides that each village use purchase orders, as prescribed, for all expenditures. The Village did not use purchase orders.

FINDING NUMBER 1999-30483-021

Mayor's Court Fines - Compliance

Ohio Revised Code, Section 733.40, requires the Mayor to pay fines, costs, and other revenues to the village treasurer by the first Monday of the following month. As noted Finding Number 1999-30483-022, the Mayor's Court Clerk did not always submit funds to the Village Clerk-Treasurer within the required time limit.

FINDING NUMBER 1999-30483-022

Mayor's Court - Material Weakness

Very few internal controls were noted to be in operation for the Mayor's Court, record keeping was inaccurate and inconsistent, and there appeared to be little progress on the part of either the Village Council or Management to develop appropriate administrative functions. This causes significant concern and may create an environment which promotes future fraud.

To improve accountability over Mayor's Court revenues and reduce the chance of errors occurring and not being detected, the Village should implement the following procedures which should help improve control over the Mayor's Court functions:

- Reconciliations should be performed each month. This reconciliations should be reviewed and initialed by the Mayor.
- An open items list should be maintained. An open items list would support the Mayor's Court ending balances and would facilitate the Court's monthly bank reconciliations.

FINDING NUMBER 1999-30483-022
(Continued)

- An outstanding check list should be maintained. Outstanding check lists would help reconcile the Court's bank account monthly.
- The docket should always be completed and signed off by the Mayor indicating his review.
- The cashbook should always be footed and indicate monthly totals. The disbursements to the Village and State are based upon the footing of the cashbook. A lack of footing in the Mayor's Court cashbook resulted in the inability to give accurate distributions to the Village and State. Any funds remaining in the Court account should be reviewed to determine proper distribution.
- The cashbook should also be completed for all monies received by the mayor's court. There was \$3,768.68 deposited into the Mayor's Court checking account that was not posted to the cashbook and therefore was not properly disbursed to the Village and State.
- White out was used in the cashbook and check register in 1998 and 1999. This could create the appearance of falsifying records and thus should not be used.
- The information listed on the duplicate receipts, in the docket and in the cashbook should always agree amongst each other.
- When monies are received, receipts should be filled out completely and accurately in ink to provide documentation of receipts.
- Deposits should be made within 24 hours of receipt. There were no deposits made to the mayor's court account during August 1998, February 1999 and May 1999.
- A statement of receipts for the Mayor's Court should be prepared and turned into Council each month.
- Payments to the Village and State should be remitted by the first Monday of each month.
- Fines assessed should agree to the fine amount per the Village Ordinance.
- The records of the Mayor's Court should allow for determination of issuance, voidance, or collection of fines in the Mayor's Court account. Several tickets and payments could not be accounted for in the Village's records.
- Unused checks from the old Mayor's Court bank account should be destroyed so that checks are not mistakenly used.

FINDING NUMBER 1999-30483-023

Utility Records - Material Weakness

The Village could not provide documentation to support the billing and receipting of utility charges. The lack of supporting documentation resulted in a qualified opinion for the Enterprise Fund - Charges for Services receipts. The Village does not maintain ledgers or accounts receivable listings thus are unable to determine amounts due and whether all monies due the Village have been received.

To maintain accurate records, the Village should implement the following procedures:

FINDING NUMBER 1999-30483-023
(Continued)

- A subsidiary ledger should be maintained to account for the utility receipts. This ledger should include the customer's name, usage, amount billed, date paid, the amount of receipts collected and the amount outstanding for each customer's account.
- Receipts ledgers indicating all water collections should be maintained to account for all monies collected.
- Billing ledgers should be maintained to account for all bills sent and the amount billed.
- Billing stubs received with payments should be maintained to support all monies collected.
- Monies received should be posted to the customer's account and to the ledgers in a timely manner. The ledgers and monies received should be reconciled to verify that all monies collected are posted to individual subsidiary customer accounts.
- All entries should be posted in chronological order, reflect a month-to-date and year-to-date totals.
- The subsidiary ledger should be reconciled with deposits on a monthly basis.

Effective January 25, 2000, enterprise fund operations were transferred to Warren County.

FINDING NUMBER 1999-30483-024

Budgetary - Material Weakness

The Village did not follow proper budgetary procedures which helps to control receipting and expending of monies:

- The Village did not certify to the County Auditor the total amount from all sources available for expenditures for the preceding year. This is to be certified on or about the first day of the fiscal year. Without certified balances the Village is to finalize appropriations in a timely manner which could result in expenditures being made without appropriations.
- The Village did not use purchase orders. Purchase orders are used to ensure that the funds are available and not already "set aside" to be spent and aids in helping to prevent negative fund balances. Purchase orders should be completed before an expenditure is made. By not using purchase orders and certifying funds prior to commitment the Village does not have the information available to monitor whether expenditures exceeded appropriations.
- The Village had deficit cash balances in the Street, General and Permanent Improvement Funds.
- The tax budget was not adopted by Council in 1999. The tax budget should be approved by July 15 for each year. If the Village operates without a tax budget there is a lack of monitoring tools available to Council to perform their duties effectively.
- The Village did not always post its official certified budgetary documents to the books. We recommend that these documents be posted to the books in a timely manner. This would help the Village monitor its budgetary activity.

**FINDING NUMBER 1999-30483-024
(Continued)**

Effort should be made for the Village Officials to become familiar with applicable budgetary laws and to institute procedures to follow these laws. Failure to follow these procedures could result in overspending and negative cash balances as well as contribute to financial difficulties.

FINDING NUMBER 1999-30483-025

Segregation of Duties/Oversight - Material Weakness

The small size of the Village staff does not allow for an adequate segregation of duties. The Clerk processes all the financial record keeping including receipting, posting and reconciling to the depository. Bookkeeping errors may occur without the detection of management. It is therefore important that the Village Council monitor financial activity.

We believe the following conditions indicate a need for increased oversight of management by the Village:

- Required budgetary forms not completed.
- Transfers were made without resolution or ordinance.
- Proper funds were not established.
- Several Council meetings were canceled due to a lack of quorum therefore no Village business was conducted in some months.
- Monthly reconciliations of all Village accounts were not performed.
- A permit was found where the amount was shown as collected, but it cannot be traced to a deposit in the bank.
- There were many footing errors in the payroll records, resulting in overpayments to some employees and underpayments to PERS.
- Several Clerk/Treasurers and an Interim Clerk lacking a financial background were employed by the Village during the audit period.
- This report contains ten findings for recovery indicating a lack of oversight by Village Council.

To maintain continuing accountability and to strengthen internal accounting controls, officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer. For each regular Council meeting, the Clerk should provide Council members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.



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OFFICE OF THE AUDITOR

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VILLAGE OF HARVEYSBURG

WARREN 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 2, 2001**