

Village of Harveysburg
Warren County, Ohio
Regular Audit
For the Years Ended December 31, 2011 and 2010



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Dave Yost • Auditor of State

Village Council
Village of Harveysburg
79 East Main Street
Harveysburg, Ohio 45032

We have reviewed the *Independent Auditor's Report* of the Village of Harveysburg, Warren County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Harveysburg is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 27, 2012

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Village of Harveysburg
Warren County, Ohio
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Independent Auditor's Report

Village Council
Village of Harveysburg
79 East Main Street
Harveysburg, Ohio 45032

We have audited the accompanying financial statements of the Village of Harveysburg, Warren County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

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Warren County
Independent Auditor's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Harveysburg, Warren County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 10, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2012 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang CPA, Inc.

August 23, 2012

**Village of Harveysburg
Warren County, Ohio**

*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2011*

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$39,991	\$47,140	\$87,131
Intergovernmental	13,220	34,396	47,616
Charges for Services	62,481	0	62,481
Fines, Licenses and Permits	94,179	3,864	98,043
Earnings on Investments	370	369	739
Miscellaneous	35,504	2,570	38,074
Total Cash Receipts	245,745	88,339	334,084
Cash Disbursements:			
Current:			
Security of Persons and Property	0	96,295	96,295
Public Health Services	500	0	500
Community Environment	2,145	0	2,145
Basic Utility Services	51,542	0	51,542
Transportation	0	92,194	92,194
General Government	69,163	2,274	71,437
Capital Outlay	50,590	0	50,590
Total Cash Disbursements	173,940	190,763	364,703
Total Receipts Over (Under) Disbursements	71,805	(102,424)	(30,619)
Other Financing Receipts/(Disbursements):			
Transfers In	0	61,000	61,000
Transfers Out	(61,000)	0	(61,000)
Total Other Financing Receipts/(Disbursements)	(61,000)	61,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,805	(41,424)	(30,619)
Fund Cash Balances, January 1	63,425	156,081	219,506
Fund Cash Balances, December 31			
Restricted for:			
Court Clerk Computerization	\$0	\$7,415	\$7,415
Mayor's Court Computerization	0	4,242	4,242
Police Operations	0	5,228	5,228
Road Maintenance and Improvements	0	97,772	97,772
Unassigned	74,230	0	74,230
Fund Cash Balances, December 31	\$74,230	\$114,657	\$188,887

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

Village of Harveysburg
Warren County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Fiduciary Funds
For the Year Ended December 31, 2011

	Fiduciary Fund Types
	Agency Funds
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$123,972
Total Non-Operating Cash Receipts	123,972
Non-Operating Cash Disbursements:	
Other Non-Operating Disbursements	122,969
Total Non-Operating Cash Disbursements	122,969
Net Receipts Over Disbursements	1,003
Fund Cash Balances, January 1	8,648
Fund Cash Balances, December 31	\$9,651

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

**Village of Harveysburg
Warren County, Ohio**

*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010*

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$37,246	\$44,120	\$81,366
Intergovernmental	12,039	34,540	46,579
Charges for Services	59,673	1,032	60,705
Fines, Licenses and Permits	106,366	7,392	113,758
Earnings on Investments	1,340	543	1,883
Miscellaneous	59,558	2,291	61,849
Total Cash Receipts	276,222	89,918	366,140
Cash Disbursements:			
Current:			
Security of Persons and Property	24	93,543	93,567
Public Health Services	166	0	166
Leisure Time Activities	1,837	0	1,837
Community Environment	1,649	0	1,649
Basic Utility Services	42,436	0	42,436
Transportation	18,739	99,417	118,156
General Government	78,891	5,090	83,981
Capital Outlay	87,191	7,194	94,385
Total Cash Disbursements	230,933	205,244	436,177
Total Receipts Over (Under) Disbursements	45,289	(115,326)	(70,037)
Other Financing Receipts/(Disbursements):			
Transfers In	5,879	76,000	81,879
Advances In	600	0	600
Transfers Out	(76,000)	(5,879)	(81,879)
Advances Out	0	(600)	(600)
Total Other Financing Receipts/(Disbursements)	(69,521)	69,521	0
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(24,232)	(45,805)	(70,037)
Fund Cash Balances, January 1, Restated - See Note 11	87,657	201,886	289,543
Fund Cash Balances, December 31	\$63,425	\$156,081	\$219,506

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

Village of Harveysburg
Warren County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Fiduciary Funds
For the Year Ended December 31, 2010

	Fiduciary Fund Types
	Agency Funds
Operating Cash Disbursements:	
Transportation	\$6,624
Total Cash Disbursements	6,624
Operating Loss	(6,624)
Non-Operating Cash Receipts:	
Earnings on Investments	5
Other Non-Operating Receipts	147,450
Total Non-Operating Cash Receipts	147,455
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	154,552
Total Non-Operating Cash Disbursements	154,552
Net Receipts Under Disbursements	(13,721)
Fund Cash Balances, January 1	22,369
Fund Cash Balances, December 31	\$8,648

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

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Harveysburg, Warren County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Mayor is elected to a four-year term, and votes only to break a tie. The Village provides general government services, maintenance of Village roads and police services.

The Village participates in the Public Entities Pool of Ohio, a risk-sharing pool available to Ohio local governments. Note 8 to the financial statements provide additional information for this entity. This organization is a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio 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.

Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village had no investments during 2011 or 2010.

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:

General Fund

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

Special Revenue Funds

These funds account for proceeds from specific sources (other than those 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:

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Street Levy Fund – This fund receives levy monies used for maintenance and construction of various street projects.

Police Levy Fund – This fund receives levy monies used for police protection services.

Fiduciary Funds

Fiduciary funds include trust funds and agency funds. The Village has no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund (Agency Fund) – This fund accounts for monies that are received and disbursed with regard to the Mayor's Court operations.

Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

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.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of the 2011 and 2010 budgetary activity appears in Note 3.

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.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Fund Balances

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed – Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the Council or a Village official delegated that authority by resolution, or by State statute.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2 – Equity in Pooled Cash and Investments

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

	2011	2010
Demand Deposits	\$198,538	\$228,154

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 3 – Budgetary Activity

Budgetary activity, except for agency funds, for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$214,701	\$245,745	\$31,044
Special Revenue	159,450	149,339	(10,111)
Total	\$374,151	\$395,084	\$20,933

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$250,579	\$234,940	\$15,639
Special Revenue	227,184	190,763	36,421
Total	\$477,763	\$425,703	\$52,060

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$211,549	\$282,101	\$70,552
Special Revenue	162,050	165,918	3,868
Total	\$373,599	\$448,019	\$74,420

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$325,051	\$306,933	\$18,118
Special Revenue	234,007	211,123	22,884
Total	\$559,058	\$518,056	\$41,002

Note 4 – Property Taxes

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.

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.

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

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

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 – Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries, with the Village contributing an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

Note 6 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	\$20,631,198	\$21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$13,844.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 6 – Risk Management (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2011	2010
\$6,922	\$8,852

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Interfund Activity

During the years ended December 31, 2011 and 2010, the Village had the following interfund activity:

2011		Transfer In	Transfer Out
General Fund		\$0	\$61,000
Police Levy Fund		61,000	0
Total		\$61,000	\$61,000
2010		Transfer In	Transfer Out
General Fund		\$5,879	\$76,000
Police Levy Fund		76,000	0
Special Projects-MDT Fund		0	5,879
Total		\$81,879	\$81,879
		Advance In	Advance Out
General Fund		\$600	\$0
Street Construction, Maintenance, and Repair Fund		0	600
Total		\$600	\$600

Transfers were made from the General Fund to various Special Revenue Funds to subsidize operations. Transfers were made from the Special Projects-MDT Fund to close out an unrestricted residual fund balance. Advances were made from the Street Construction, Maintenance, and Repair Fund to the General Fund to repay a prior year advance.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 8 – Shared Risk Pool

The Public Entities Pool of Ohio (PEP) is a statutory entity created pursuant to Ohio Revised Code Section 2744.081 by the execution of an intergovernmental contract (“Participation Agreement”). PEP enables the subscribing subdivisions to pool risk for property, liability and public official liability. PEP has no employees, rather it is administrated through contracts with various professionals. Pursuant to a contract, the firm American Risk Pooling Consultants, Inc. administers PEP. PEP is a separate legal entity. PEP has executed contracts with various professionals for actuary services, as independent auditors, as loss control representatives, as litigation management, and defense law firms, as counsel to PEP and others as required.

PEP is governed by a seven-member Board of Directors elected by the members of PEP. The Village makes an annual contribution to PEP for the coverage it is provided, based on rates established by PEP. Additional information may be obtained by contacting Mr. Michael Sutton, Pool Coordinator, American Risk Pooling Consulting, Inc., or visiting PEP’s website at www.pepohio.org.

Note 9 – Compliance

- The Village did not always certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D).
- The Village had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).
- The Village did not properly document various Council reviews and approvals and did not properly document entering into and exiting from executive sessions in accordance with Ohio Revised Code Section 121.22(C).
- The Village did not properly maintain accounting records related to payroll in accordance with Ohio Revised Code Section 733.28 and Ohio Administrative Code Section 117-2-02(A).
- The Village did not properly incorporate prevailing wage language, nor did it require the contractor to provide certified payrolls for monitoring, which is contrary to Ohio Revised Code Sections 4115.04 and 4115.05.
- The Village did not proper advertise for bids nor did it properly authorize a contract, which is contrary to Ohio Revised Code Section 731.14.
- The Village did not review the Auditor of State’s Unresolved Finding for Recovery Database prior to entering into a contract, which is contrary to Ohio Revised Code Section 9.24.
- The Village had appropriations in excess of estimated resources contrary to Ohio Revised Code Section 5705.39.

Note 10 – Change in Accounting Principles

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, which the Village has implemented for the year ended December 31, 2011. This pronouncement does not affect the calculation of the Village’s fund balances but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 1). Fund balances have been classified in the financial statements, as applicable, for the year ended December 31, 2011 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The Village has no funds that required fund reclassification.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 11 – Restatement of Fund Cash Balance

An error in audit adjustment postings was identified and required correction, which resulted in the following restatement in the Special Revenue Fund cash balances as previously reported:

	Special Revenue Funds
Fund Cash Balances, December 31, 2009	\$202,470
Restatements	(584)
Restated Fund Cash Balances, January 1, 2010	<u>\$201,886</u>

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village Council
Village of Harveysburg
79 East Main Street
Harveysburg, Ohio 45032

We have audited the financial statements of the Village of Harveysburg, Warren County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 23, 2012, wherein we noted the Village followed the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted, for the year ended December 31, 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Village is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that are considered to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These findings have been identified as items 2011-3, 2011-4, 2011-7, and 2011-8.

Village of Harveysburg
Warren County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Internal Control Over Financial Reporting (Continued)

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. These findings have been identified as items 2011-2 and 2011-9.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-1, 2011-5, 2011-6, 2011-7, 2011-10, 2011-11, 2011-12 and 2011-13.

We noted certain matters that we reported to management of the Village in a separate letter dated August 23, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang CPA, Inc.

August 23, 2012

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2011-1

Noncompliance – Proper Encumbrance of Funds

Ohio Revised 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 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 – The fiscal officer 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 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.
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.

The Village did not properly certify the availability of funds for purchase commitments for 11 percent of expenditures tested for 2010 and 38 percent of expenditures tested for 2011. Failure to properly certify the availability of funds can result in overspending funds, negative cash fund balances, or unauthorized or improper disbursements. The Fiscal Officer should certify that the 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.

Client Response:

Every attempt is made to obtain and document the purchase approval of an expenditure prior to it being made. However, much of this is dependent upon the action of Council. The Fiscal Officer will continue to push for compliance.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-2

Significant Deficiency – Bank Reconciliations

Ohio Administrative Code Section 117-2-01(D) states, in part, that when designing the public office's system of internal control and the specific control activities, management should consider the following: verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Accurate reconciliations of bank accounts and investments to the Village's book/fund balances are a basic and essential internal control component for sound fiscal management. Village officials rely on accurate reconciliations to make sound financial decisions.

The Mayor's Court account was not properly reconciled by the Clerk (the Fiscal Officer) during the audit period.

The Village should implement additional monitoring procedures to ensure that the Mayor's Court account is reconciled monthly and presented to Council.

Client Response:

The Fiscal Officer will formalize the balancing documentation used and include it in future reconciliations.

FINDING NUMBER 2011-3

Material Weakness – Misstatements and Misclassifications in the Financial Statements

A monitoring system by the Village should be in place to prevent or detect misstatements for the accurate presentation of the Village's financial statements. The Village misclassified various receipts by line item and in instances by fund. Most items were corrected in the audited financial statements to ensure they were not materially misstated. Failure to properly record and monitor financial transactions has resulted in misclassifications and other errors in the financial statements. The Village should implement additional operating and monitoring procedures to ensure transactions are properly recorded and that errors in cash balances are identified and properly and timely addressed.

Client Response:

We will continue to request information to clarify specifically what accounts receipts should post to.

FINDING NUMBER 2011-4

Material Weakness – Budgetary Information Within UAN

Accurate budgetary information within the Village's accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. Budgetary adjustments were entered into the accounting system that could not be identified as approved within the minutes. Failure to properly approve or incorporate budgetary amendments into the accounting system subjects the Village to the risk of improper spending or reliance on misinformation. The Village should implement the appropriate procedures, such as ensuring minutes include accurate information on budgetary amendments and reconciling budgetary information within the accounting system to formally approved budgets, to ensure that budgetary information is presented accurately and completely.

Client Response:

Supplemental appropriations as necessary within a fund have been approved for the Fiscal Officer to initiate at his discretion. We will have this authorization again approved by Council and noted via resolution.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-5

Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations in the Street Levy Fund in 2010. Also, for both years they had expenditures before money was appropriated. Failure to monitor budgets subjects the Village to the risk of improper spending or overspending. The Village should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized/appropriated amounts.

Client Response:

Temporary appropriations are now approved in UAN of the current budget year.

FINDING NUMBER 2011-6

Noncompliance – Minute Record

Ohio Revised Code Section 121.22(C) states in part, that all meetings of any public body are to be open to the public at all times. The minutes of a regular or special meeting of any such public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. Ohio Revised Code Section 731.20, states that ordinances, resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk of the legislative authority of the municipal corporation. None of the minutes for 2010 and most for 2011 were signed. It was also noted that most items were passed by emergency instead of with the required three readings. In addition, it was noted that the Village did not properly document the roll call for entering into executive session in several instances. Lastly, it was noted that there were several meetings held without the proper quorum.

Properly maintained minute records can provide management with references for informed decision-making and should be available for public inspection of legislative decisions made by the Village Council. As the Council speaks only through its records of proceedings (minutes), they should do the following:

- Minutes should be reviewed and signed by Village officials.
- Council should perform the required three readings for all decisions, unless emergency is required. Emergency should be used as an exception, rather than the rule.
- Roll call should be documented for entering and exiting executive sessions.
- Council should ensure that quorums are established prior to undertaking official business.

Client Response:

Many items have been corrected for 2012 and efforts are currently being made to address other issues.

FINDING NUMBER 2011-7

Noncompliance/Material Weakness – Payroll Items

Ohio Revised Code Section 733.28 provides that the Village Clerk/Treasurer shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived there from. Ohio Administrative Code Section 117-2-02 (A) states that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-7 (Continued)

Noncompliance/Material Weakness – Payroll Items (Continued)

The Village Council and Administrators did not perform evaluations of employees. Late fees and penalties were paid to the Internal Revenue Service during the audit period as a result of untimely tax remittances or return filings. Several necessary forms could not be located in employee personnel files. Accurate payroll information was not provided on workers compensation paperwork for 2010. Although the consistent use of timesheets appear to have been implemented, timesheets are not sufficiently detailed.

Lack of sufficiently detailed timesheets could result in payment from an improper fund in the event that employees are being utilized for purposes outside the course of regular duties. The Village's lack of proper submission of required forms and amounts to the various State and Federal agencies could lead to additional penalties and interest assessed to the Village, and could affect individual employees' retirement accounts. Failure to report accurate payroll figures could result in an over or underpayment of workers compensation premiums. Failure to maintain proper personnel files could result in withholdings at improper levels or payments at unauthorized or improper rates.

The Village should ensure that the following procedures are implemented:

- Council should monitor the payroll process including reviews of payroll reports.
- Sufficiently detailed employee time sheets should be completed and signed by the relevant supervisor indicating approval of the employee's hours worked.
- Evaluations should be performed for all employees and placed into their personnel files to assist in determination of wage or salary changes, promotions or demotions, terminations, or other employment actions.
- The Village should use due professional care when completing forms for the Internal Revenue Service.
- The Village should ensure that all required documents are in the employee files.

Client Response:

Priorities set by management for the Fiscal Officer does not always allow for certain items to be timely addressed. The Fiscal Officer will continue to pursue correction of these issues for the Village's benefit.

FINDING NUMBER 2011-8

Material Weakness – Council Monitoring of Financial Activity

It is important that the Village Council monitor financial activity of the Village closely. Sound internal control policies require management and the Village Council to monitor the financial activity and condition of the Village. Actual revenues and expenditures should be compared to budgeted amounts each month and reported to and reviewed by the Village Council. The Village Council should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries of management about the reasons. Additionally, the Village Council should compare their actual cash balances to budgeted cash balances at the end of each month. When actual cash balances are below budgeted cash balances, the Village Council should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance and to avoid negative financial trends.

While the Village Council does approve payments of bills, the Village Council does not monitor financial activity on a monthly basis. The Village Fiscal Officer only provides periodic system reports and bank reconciliations to Council for their review. This could result in errors and/or irregularities occurring and remaining undetected for an extended period of time.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-8 (Continued)

Material Weakness – Council Monitoring of Financial Activity (Continued)

For each regular Village Council meeting, the Village Fiscal Officer should provide detailed budget versus actual activity statements, financial statements, bank reconciliations, cash balances, and checks paid. The Village Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage and monitor the Village's financial position. This information can help answer questions such as the following:

Inquiries Relevant to Overall Village Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Village able to achieve the financial goals as set by the original or amended budgets?
- Are expenditures being spent in accordance with the approved appropriations?
- Is there evidence the Village should amend their appropriations and/or estimated resources?

In order to effectively monitor the financial activity and condition of the Village, we recommend the Village Council perform the following actions:

- The Village Council should review and accept/approve the monthly financial information provided by the Village Fiscal Officer. The review of this information should be noted in the minutes of the meetings of the Village Council.
- The Village Council should take a more active role in monitoring the financial activity of the Village.
- The Village Council should evaluate the need for each expenditure of funds to restrict spending.
- Approval of monthly financial information be documented in the minute record.
- Copies of information reviewed and approved should be maintained as part of the permanent minute record.

Client Response:

The Fiscal Officer will include financial information at the second meeting of each month for Council's review.

FINDING NUMBER 2011-9

Significant Deficiency – Jeep Jam Festival

Sound internal controls, such as proper monitoring and formal procedures, are pertinent to ensure that all financial transactions incurred are authorized, for a proper public purpose, and accounted for. The Village participates in an annual Jeep Jam festival. Monitoring controls and formal procedures were not enforced to oversee the Village's participation in the event. Supporting documentation was not always maintained as many items were processed on a cash basis with only net amounts being recorded in the Village's accounting records. The Village did not have a formal agreement with the sponsor of the event, an Ohio nonprofit organization, for which costs the Village would be responsible for and for what amount of commission the Village would receive. There were no formal procedures over the payments related to the Village to ensure proper public purpose. The Village should implement additional control procedures to ensure transactions related to the Jeep Jam event are properly recorded, that arrangements for such activity are properly documented, and that the costs related to such activity are properly recorded and reviewed for proper public purpose.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-9 (Continued)

Significant Deficiency – Jeep Jam Festival (Continued)

Client Response:

No future events expected to be held.

FINDING NUMBER 2011-10

Noncompliance – Prevailing Wages

Ohio Revised Code Sections 4115.04 and 4115.05 state that the prevailing wage laws essentially require an entity to obtain the prevailing wages in their area for the types of labor required to complete the project, prior to bidding and again when the contract is awarded, if the award is made more than 90 days after the original prevailing wage is determined. They then need to make sure that the contractors who are awarded the contracts agree, in the contract, to pay the prevailing wage. The Village entered into a contract for a paving project in 2010 but did not include within its contract the proper prevailing wage language, nor did they monitor certified payrolls for payment of prevailing wage. The Village should implement procedures to ensure that proper prevailing wage language is included in all applicable contracts and that prevailing wage payments are properly monitored.

Client Response:

We will follow all provisions going forward.

FINDING NUMBER 2011-11

Noncompliance – Advertising for Bids for Contracts and Authorization of Contracts

Ohio Revised Code Section 731.14 generally requires that all contracts made by the legislative authority of a municipal government for material and labor which exceeds \$25,000 are subject to competitive bidding procedures.

Competitive bidding procedures require that a contract be entered into in writing with the lowest and best bidder after advertisement of the proposal for bids for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the municipality.

The Village entered into a contract for a paving project in 2010 but did not advertise for bids, nor was there documentation in minutes of approval of Council. The Village should implement procedures to ensure that proper competitive bidding procedures are followed, including appropriate legislative authorization and advertisements for bids.

Client Response:

We will follow all provisions going forward.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-12

Noncompliance – Unresolved Findings for Recovery

Ohio Revised Code Section 9.24(A) states that no state agency and no political subdivision receiving more than \$50,000 in state funds in a fiscal year (per OAG 2004-014) shall award a contract for goods, services, or construction, paid for in whole or in part with state funds, to a person [this section defines “person” as an individual, corporation, business trust, partnership, and association; see Ohio Rev. Code Section 1.59] against whom a finding for recovery has been issued by the Auditor of State, if the finding for recovery is unresolved. The Village entered into a contract for a paving project in 2010 but did not review the Auditor of State’s unresolved finding for recovery database prior to entering into this contract. The Village should implement procedures to ensure that the Auditor of State’s unresolved finding for recovery database is reviewed prior to entering into contracts.

Client Response:

We were not aware of the requirement until after the fact.

FINDING NUMBER 2011-13

Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. The Village had appropriations in excess of estimated resources in the General and Permissive Motor Vehicle License Tax Funds in 2010. Failure to monitor budgets subjects the Village to the risk of unauthorized or improper spending. The Village should implement the appropriate procedures, such as periodic comparisons of estimated resources to appropriations, to ensure that appropriations are limited to estimated resources and to ensure unauthorized or improper spending does not occur.

Client Response:

Temporary appropriations are now approved in UAN of the current budget year.

Village of Harveysburg
Warren County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-1	Noncompliance/Material Weakness – Off-the-Books Bank Accounts	Yes	
2009-2	Noncompliance/Material Weakness – Maintenance of Supporting Documentation	No	Partially corrected - reissued in management letter
2009-3	Noncompliance – Proper Encumbrance of Funds	No	Reissued as Finding 2011-1
2009-4	Material Weakness – Bank Reconciliations	No	Partially corrected – reissued as significant deficiency in Finding 2011-2
2009-5	Significant Deficiency – Mayor’s Court Receipts	Yes	
2009-6	Material Weakness – Misstatements and Misclassifications in the Financial Statements	No	Reissued as Finding 2011-3
2009-7	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2011-4
2009-8	Noncompliance – Expenditures in Excess of Appropriations	No	Reissued as Finding 2011-5
2009-9	Noncompliance – Minute Record	No	Reissued as Finding 2011-6
2009-10	Noncompliance/Material Weakness – Payroll Items	No	Reissued as Finding 2011-7



Dave Yost • Auditor of State

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 8, 2013