



**Mary Taylor, CPA**  
Auditor of State

**Village of Harveysburg**  
Warren County, Ohio

**Fiscal Emergency Termination**

**Local Government Services Section**



**Village of Harveysburg - Warren County**

**Fiscal Emergency Termination**

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Appendix A

Village of Harveysburg Financial Forecast  
For the Years Ending December 31, 2007 through December 31, 2011

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**CERTIFICATION**

Pursuant to a request to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Harveysburg, the Auditor of State has determined that the Village of Harveysburg no longer meets the fiscal emergency conditions set forth in Section 118.27(A)(1), (2), (3), and (4), Revised Code. Therefore, the existence of the Village of Harveysburg Financial Planning and Supervision Commission and its role in the operation of the Village of Harveysburg is terminated as of June 19, 2007.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Christopher Harrison, Mayor of the Village of Harveysburg, Richard Verga, President of Council, Ted Strickland, Governor, J. Pari Sabety, Director of the Office of Budget and Management, Richard Cordray, Treasurer of State, Jennifer Brunner, Secretary of State, and Nick Nelson, Warren County Auditor.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Pursuant to Section 118.27(A)(2), Revised Code, the Auditor of State will monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 19, 2007

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## Village of Harveysburg - Warren County

### Report on the Termination of the Village of Harveysburg Financial Planning and Supervision Commission

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#### Report on the Termination of the Harveysburg Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Village of Harveysburg (the Commission), Warren County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code, should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A), Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter, shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) Planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to section 118.04 of the Ohio Revised Code, and no new emergency conditions have occurred...; (3) Met the objectives of the financial plan described in section 118.06 of the Ohio Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”

Results of our work under section 118.27(A), Ohio Revised Code, are as follows:

Pages four through twelve of our report indicate that the Village has effectively implemented or is in the process of implementing corrections to its financial accounting and reporting system in accordance with section 118.10(A) of the Ohio Revised Code.

We have reviewed the compliance and management letters issued as part of the last two audits. These letters included noncompliance issues and material weaknesses in internal control that management has not corrected.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under section 118.04, of the Ohio Revised Code. This analysis can be found beginning on page 13.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with section 118.06, of the Ohio Revised Code. Specific conclusions can be found on page 17.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated. The Village has not completed its implementation of an effective financial accounting and reporting system; therefore, the Auditor of State will monitor the Village to insure full implementation of the remaining items within two years.

## Village of Harveysburg - Warren County

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It is understood that this report's determination is for the use of the Financial Planning and Supervision Commission of the Village of Harveysburg, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Harveysburg, and others as designated by the Auditor of State, and is not to be used for any other purpose. Our procedures and findings follow.

#### **Section 1 - Financial Accounting and Reporting System**

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files and reports of the Village of Harveysburg (the "Village") and issued a Report on Accounting Methods, dated March 8, 2002. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. To reach this determination, we confirmed the actions identified as having been taken by management to address the issues identified in the Report on Accounting Methods. A summary of the actions taken by management to address each issue is presented below:

#### ***Budgetary System:***

##### Auditor of State Comment from Report on Accounting Methods:

The file copy of the tax budget for calendar years 2000 and 2001 does not show the beginning unencumbered fund balance amounts.

##### Implemented:

The file copy of the tax budget for calendar year 2007 shows the beginning unencumbered fund balance amounts.

##### Auditor of State Comment from Report on Accounting Methods:

Actual amounts for the calendar year 1999 are not listed on the file copy of the tax budget for calendar years 2001 and 2002.

##### Implemented:

Actual amounts for calendar years 2004 and 2005 are included in the tax budget for calendar year 2007.



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#### Auditor of State Comment from Report on Accounting Methods:

The tax budget for calendar year 2000 was signed by the Mayor on July 27, 1999 and filed late with the Warren County Budget Commission.

#### Implemented:

The tax budget for calendar year 2006 was approved by Village Council on July 11, 2005 and filed with the Warren County Budget Commission on July 20, 2005.

The tax budget for calendar year 2007 was approved by Village Council on July 10, 2006 and filed with the Warren County Budget Commission on July 13, 2006.

#### Auditor of State Comment from Report on Accounting Methods:

The annual appropriation ordinance for 2000 was not certified with the Warren County Budget Commission. For 2001, all funds were not appropriated.

#### Implemented:

The permanent appropriations for the calendar year 2007 were certified and sent to the Warren County Budget Commission on December 11, 2006. The permanent appropriation ordinance for calendar year 2006 was certified and sent to the Warren County Budget Commission on February 9, 2006. During 2006, there were supplemental appropriation ordinances which were certified and sent to the Warren County Budget Commission.

#### Auditor of State Comment from Report on Accounting Methods:

The Village did not complete the certificate of year-end fund balances. The last time this form was completed and filed with the Warren County Auditor was in 1997.

#### Implemented:

The certificate of year-end fund balances for calendar year 2006 was filed with the County Auditor on January 8, 2007.

#### Auditor of State Comment from Report on Accounting Methods:

The Village does not compare estimated (budgeted) revenues to actual revenues during the year.

#### Implemented:

The Clerk-Treasurer provides a report to Council on a monthly basis that compares estimated revenues to actual revenues. The report also is reviewed by the Clerk-Treasurer and Mayor.

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### Report on the Termination of the Village of Harveysburg Financial Planning and Supervision Commission

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#### Auditor of State Comment from Report on Accounting Methods:

The Village has not requested an amended official certificate of estimated resources for any revised estimates in revenue.

#### Implemented:

The Clerk-Treasurer will request an amended certificate when actual revenue to be collected will be greater than the existing certificate of estimated resources or when additional revenue has been received and the Village Council intends to appropriate and expend the excess revenue. An amended certificate of estimated resources will also be requested if the actual revenue to be collected will reduce the available resources below the current level of appropriation.

#### *Chart of Fund and Account Codes:*

#### Auditor of State Comment from Report on Accounting Methods:

The major object codes for expenditures are not used consistently throughout the various programs and activity accounts in all funds.

#### Implemented:

The Village uses object codes established as part of the Uniform Accounting Network system to classify all expenditures.

#### Auditor of State Comment from Report on Accounting Methods:

The Village receives a grant for the police department which is recorded to the general fund rather than a separate special revenue fund.

#### Current Status:

The Village no longer receives the grant for the police department.

#### *Accounting Ledgers:*

#### Auditor of State Comment from Report on Accounting Methods:

The following deficiencies were found with the cash journal:

- The column totals for treasury receipts, disbursements, and balances are not reconciled to the fund receipts, disbursements, and balances.
- The water reserve fund is excluded from the 2001 cash journal.
- Account codes were not recorded for all transactions.
- Property tax settlements are not recorded at gross and the deductions are not listed as expenditures.
- Some account codes are inappropriately used for the transactions.

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### Report on the Termination of the Village of Harveysburg Financial Planning and Supervision Commission

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#### Implemented:

The Village implemented the Uniform Accounting Network system in 2005. Several of the deficiencies in the cash journal listed above were automatically corrected by the implementation of this system.

The totals for treasury receipts, disbursements, and balances now reconcile to the fund receipts, disbursements, and balances. All funds are included in the cash journal and account codes are used to record all transactions.

The Clerk-Treasurer posts the property tax settlements at gross and records expenditures for the deductions.

#### Auditor of State Comment from Report on Accounting Methods:

The following deficiencies were found with the receipts ledger:

- All ledger pages are not labeled with the fund, major revenue source, account name and number.
- The estimated revenue by account is not posted.
- Month and year-to-date totals are not recorded and the estimated amount remaining to be received is not computed.

#### Implemented:

The implementation of the Uniform Accounting Network has corrected the problem of accounts not being labeled properly. All receipt ledger pages are now labeled with the fund, major revenue source, account name and number. Month and year-to-date totals are recorded in the receipt ledger and revenue estimates are posted.

#### Auditor of State Comment from Report on Accounting Methods:

The following deficiencies were found with the appropriation ledger:

- All ledger pages are not labeled with the fund, program, activity and object descriptions and the account code.
- Encumbrances are not posted and the unencumbered balance is not computed.
- Month and year-to-date totals are not recorded.

#### Implemented:

The implementation of the Uniform Accounting Network has corrected the problem of accounts not being labeled properly. All appropriation ledger pages are now labeled with the fund, program, activity and object descriptions and the account code. Encumbrances are recorded in the appropriations ledger and the unencumbered balance is computed. Month and year-to-date totals are recorded in the appropriations ledger.

#### ***Revenue Transactions:***

#### Auditor of State Comment from Report on Accounting Methods:

The Village does not have a comprehensive, written set of procedures for the collection, recording and deposit of monies.

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#### In Process:

The Village has not developed a comprehensive, written set of procedures for the collection, recording and deposit of monies. Council did pass ordinance 0-20-06 on July 10, 2006, establishing the timelines of when receipts are to be deposited in the bank. Ordinance 0-20-06 complies with Section 9.38 of the Revised Code.

#### Auditor of State Comment from Report on Accounting Methods:

Real estate taxes, personal property taxes, manufactured home taxes, and homestead and rollback reimbursements are not posted to the proper funds and accounts in the correct amounts.

#### In Process:

The Clerk-Treasurer posts property tax revenues to the correct funds and accounts with aid from Local Government Services.

#### Auditor of State Comment from Report on Accounting Methods:

Deposit slips do not reference pay-in order numbers.

#### Implemented:

Beginning in October 2006, the Clerk-Treasurer records the receipt numbers that comprise a deposit on the deposit slip.

#### ***Purchasing Process:***

#### Auditor of State Comment from Report on Accounting Methods:

The purchases of goods and services are not certified by the fiscal officer and documented by the use of a purchase order.

#### Not Implemented:

Section 5705.41(D) of the Revised Code prohibits the taxing authority from making any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Clerk-Treasurer that the amount required to meet the expenditure has been lawful 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.

The Village is not following the process described above in all instances. The Village always uses purchase orders since the Uniform Accounting Network system requires that a purchase order be issued before a payment can be posted to the system. The purchase orders are often issued after the purchase has been made and prior certification is not obtained.

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Auditor of State Comment from Report on Accounting Methods:

Statutory bidding procedures are not consistently followed.

In Process:

An engineering firm currently oversees the bidding process for the Village on capital projects. The Village is in the process of reviewing its bidding process to determine and correct any non-compliance issues.

Auditor of State Comment from Report on Accounting Methods:

Management's approval for the purchase of goods and services does not exist.

In Process:

Council passed resolution 0-21-06 on October 23, 2006, which approved a purchase requisition form that is to be used to approve purchase requests. These forms are to be signed by the department heads and then submitted to the Village Clerk-Treasurer to determine if there are sufficient unencumbered funds to pay for the purchase.

Auditor of State Comment from Report on Accounting Methods:

The Village does not have a manual documenting the purchasing procedures and the necessary authorizations.

Not Implemented:

The Village has not written a policy manual to document the purchase process.

***Cash Disbursements:***

Auditor of State Comment from Report on Accounting Methods:

The invoices are not recomputed for accuracy.

Implemented:

The Village Clerk-Treasurer re-computes invoices for accuracy before payment.

Auditor of State Comment from Report on Accounting Methods:

Vouchers do not always clearly indicate the items, quantities, and unit cost of each item.

Current Status:

Voucher packets include the invoices, purchase orders, and copies of the checks. The invoices clearly indicate the items, quantities, and unit cost of each item.

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***Payroll Processing:***

Auditor of State Comment from Report on Accounting Methods:

No Council ordinance fixing the compensation and frequency of payment of the Village officials or employees could be located, except for the Mayor.

In Process:

On August 14, 2006, Council passed ordinance 0-21-06 which established pay rates for all of the positions in the Village. It also indicated the frequency of the pay for each position and the appropriation line item from which each position is paid.

Auditor of State Comment from Report on Accounting Methods:

The Village Clerk-Treasurer does not accrue or keep records of the paid vacation and sick leave and there are no formal procedures or documentation for the use of leave benefits.

In Process:

On August 14, 2006, Council passed ordinance 0-21-06 which established policies for vacation and sick leave. The Clerk-Treasurer created a form for tracking vacation leave which must be signed by the department head and the employee. The Clerk-Treasurer tracks the vacation leave balances in the payroll register. The Village also intends to develop a system for tracking sick leave.

***Inventory of Capital Assets:***

Auditor of State Comment from Report on Accounting Methods:

The Village does not maintain any records of its capital assets.

Not Implemented:

The Village has not developed a system for recording capital assets.

***Cash Management and Investing:***

Auditor of State Comment from Report on Accounting Methods:

The Village Clerk-Treasurer, with the technical assistance from the Auditor of State, reconciles the bank accounts to the cash journal.

Not Implemented:

Currently, the Clerk-Treasurer is still relying on assistance from the Auditor of State to reconcile the bank accounts to the cash journal.

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Auditor of State Comment from Report on Accounting Methods:

There are no depository contracts.

Implemented:

A depository agreement was signed between the Village and Citizen's National Bank on May 12, 2005. The agreement is for the period from May 12, 2005 to May 12, 2010.

Auditor of State Comment from Report on Accounting Methods:

The Village Clerk-Treasurer has not submitted a statement to the Auditor of State as required by Section 135.14(O)(3), Revised Code, that the Village is in compliance with the provisions of sections 135.01 to 135.21 of the Ohio Revised Code.

Implemented:

The Village has an investment policy on file with the Auditor of State. The Village has no investments and the Clerk-Treasurer is not subject to the training requirements prescribed in section 135.22 of the Ohio Revised Code.

***Financial Reporting:***

Auditor of State Comment from Report on Accounting Methods:

Interim financial reporting to Council is not done by the Clerk-Treasurer.

Implemented:

The Clerk-Treasurer submits reports to Council for their review. The Mayor and Clerk-Treasurer also review these reports.

Auditor of State Comment from Report on Accounting Methods:

Council has not defined, by ordinance, the type of information that the Clerk-Treasurer should periodically provide.

Not Implemented:

The Village Council has not adopted an ordinance defining this information.

Auditor of State Comment from Report on Accounting Methods:

The Village did not file or publish an annual financial report for the years 1998 and 1999.

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#### Implemented:

The Village submitted its financial annual reports for calendar years 2005 and 2006 to the Auditor of State on January 31, 2006 and January 30, 2007, respectively. There was a notification in the Lebanon Western Star newspaper stating the financial report had been completed and sent to the Office of the Auditor of State and that a copy was available in the Clerk-Treasurer's office.

#### *Recording Official Proceedings:*

#### Auditor of State Comment from Report on Accounting Methods:

All annual financial data, including budgets, appropriations, required reports, etc., were not made a permanent part of the minute records.

#### Not Implemented:

This comment has not been addressed.

#### Audit Report and Management Letters

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2002 and 2003 audit included several noncompliance issues and recommendations. The noncompliance issues included violations of Ohio budgetary law, deficit cash balances, and not depositing money in the time frame prescribed by Ohio Revised Code. A material weakness was noted in regard to a lack of segregation of duties. A reportable condition was also noted due to the Village not requiring the use of time sheets by employees to document hours worked. As of the release of the audit report on July 28, 2004, these items had not been corrected. During the December 31, 2004 and 2005 audit period, the Village began to address some of the items. The Village passed ordinance 0-20-06 establishing guidelines for the timely deposit of money. The Village has partially addressed the comment in the audit report concerning the lack of segregation of duties. All other items are not currently being addressed by the Village.

#### Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

##### Condition One – Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.



## Village of Harveysburg - Warren County

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A summary of the Village's outstanding debt as of December 31, 2006 is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>
<u>Loans Payable</u>			
Police Cruiser	7.20%	2003	\$23,276

We reviewed the outstanding indebtedness of the Village as of December 31, 2006. The Village has \$6,945 in outstanding debt at December 31, 2006, and has made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(1) of the Ohio Revised Code, as of December 31, 2006. The Village has not defaulted on any debt obligations.

#### **Condition Two – Payment of All Payroll**

Section 118.03(A)(2) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than 30 days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of 90 days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than 30 days by the written consent of at least two thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We obtained an understanding of the payroll process through various discussions with the Village Clerk. We obtained payroll reports with a list of employees, pay rate legislation, and bank statements. We then verified that payroll checks were issued to employees for the pay period ending December 29, 2006, by comparing the payroll reports with the bank statements to ascertain whether Village employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Ohio Revised Code. Also, we determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(2) of the Ohio Revised Code as of December 31, 2006. All employees have been paid in amounts and at the times required by ordinance.

#### **Condition Three – Increase in Minimum Tax Levy**

Section 118.03(A)(3) of the Ohio Revised Code, defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

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We confirmed with the Warren County Auditor, Chairman of the County Budget Commission, whether there had been an increase, pursuant to division (D) of section 5705.31 of the Ohio Revised Code, in the minimum levy of the Village of Harveysburg for the year which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Warren County Auditor indicated that no action had been taken by the Warren County Budget Commission to increase the inside millage of the Village and, therefore, no other subdivision's millage was reduced for 2006.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(3), Ohio Revised Code as of December 31, 2006.

**Condition Four – Past Due Accounts Payable from the General Fund and all Funds**

Section 118.03(A)(4) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeding one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2006, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2006, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities including any interest penalties. From this amount, we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

Schedule I

General Fund Accounts Payable Over 30 Days Past Due  
Ohio Revised Code Section 118.03(A)(4)  
As of December 31, 2006

	Payables Over 30 Days Past Due	Fund Balance Available	Balance Available In Excess of Payables
General Fund	\$628	\$30,208	\$29,580

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From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2006. From this amount we subtracted the year-end fund balance available to pay such outstanding bills. The only invoices which were at least thirty days past due were payable from the general fund, therefore, no separate schedule for invoices from all funds is presented.

Conclusion: Schedule I indicates that as of December 31, 2006, a fiscal emergency condition does not exist under section 118.03(A)(4) of the Ohio Revised Code. The general fund accounts payable which were at least thirty days past-due at the end of the year did not exceed the general fund balance.

#### **Condition Five – Deficit Fund Balances**

Section 118.03(A)(5) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the fund balance of each fund as of December 31, 2006, by subtracting all accounts payable and encumbrances from the year-end cash balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Ohio Revised Code. There were no deficit fund balances at December 31, 2006.

#### **Condition Six – Treasury Balances**

Section 118.03(A)(6) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficit exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciliation of its bank balance to its cash book balance as of December 31, 2006, which included subtracting the outstanding checks to arrive at the treasury balance. We then determined the aggregate sum of positive fund cash balances of all funds, the purpose of which the unsegregated treasury is held to meet, to determine if a treasury deficit existed. No further calculations were necessary because a treasury deficit did not exist.

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Schedule II

Treasury Balance  
Ohio Revised Code Section 118.03(A)(6)  
As of December 31, 2006

	Amounts at December 31, 2006
<b>Bank Cash Balances:</b>	
Lebanon Citizens National Bank	\$117,299
Adjustments for:	
Outstanding Checks	(7,447)
Other Adjusting Factors	12,528
Total Treasury Balance	<u>122,380</u>
<b>Less: Total Positive Cash Balances</b>	
General	35,578
Street Construction	16,250
Street Levy	30,532
State Highway	6,378
Federal Grants	0
State Grants	0
Law Enforcement Trust	2,243
Permissive Motor Vehicle License Tax	8,747
Policy Levy	2,491
Mayor's Court Computer	8,881
Police Equipment Fund	3,400
Capital Improvements	0
Water Operating	7,880
Total Positive Cash Fund Balances	<u>122,380</u>
Treasury Deficiency	<u>\$0</u>

Conclusion: Schedule II indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2006. The treasury balance did not exceed the positive fund balances as of December 31, 2006.

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#### **Section 3 - Financial Plan Objectives**

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

#### **Section 4 - Financial Forecast**

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding fiscal crises in the future. A five-year forecast is required under 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

#### **DISCLAIMER**

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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**APPENDIX A**

**Village of Harveysburg**  
**Warren County**

**Financial Forecast**

**For the Years Ending December 31, 2007 Through December 31, 2011**

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# Village of Harveysburg - Warren County

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# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Harveysburg  
79 E. Main Street  
Harveysburg, Ohio 45032

Based upon the requirement set forth in Section 118.27 (A)(4), Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures and changes in fund balances of the various funds of the Village of Harveysburg, which encompass the five years ending December 31, 2011. These statements are presented on the cash basis of accounting used by the Village of Harveysburg rather than on generally accepted accounting principles. The Village of Harveysburg's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

This report is intended solely for the use of the Village of Harveysburg and the Financial Planning and Supervision Commission of Harveysburg and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

February 26, 2007

Local Government Services Section  
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**Village of Harveysburg, Ohio**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2004 through 2006, Actual  
and Ending December 31, 2007 through 2011, Forecasted

**General Fund**

	2004 Actual	2005 Actual	2006 Actual
<b>Revenues</b>			
Property Taxes	\$33,500	\$31,900	\$35,400
Intergovernmental Revenue	11,400	15,000	16,000
Fines and Forfeitures	64,500	44,200	36,500
Interest	400	400	600
Licenses and Permits	4,400	4,300	11,400
Charges for Services	67,400	46,300	54,600
Contributions and Donations	27,100	28,000	30,200
<i>Total Revenues</i>	<u>208,700</u>	<u>170,100</u>	<u>184,700</u>
<b>Expenditures</b>			
<i>General Government</i>			
Mayor's Office			
Personal Services	1,000	1,000	1,000
Fringe Benefits	300	300	200
Total Mayor's Office	<u>1,300</u>	<u>1,300</u>	<u>1,200</u>
Mayor's Court			
Personal Services	9,700	9,900	10,300
Fringe Benefits	2,800	2,200	2,600
Contractual Services	2,100	2,300	1,800
Materials and Supplies	1,600	700	1,200
Total Mayor's Court	<u>16,200</u>	<u>15,100</u>	<u>15,900</u>
Legal Counsel			
Personal Services	4,900	3,700	4,000
Fringe Benefits	300	0	0
Total Legal Counsel	<u>5,200</u>	<u>3,700</u>	<u>4,000</u>
Clerk-Treasurer			
Personal Services	10,500	10,500	10,300
Fringe Benefits	2,900	2,400	2,500
Contractual Services	2,400	1,800	3,100
Materials and Supplies	1,200	1,400	600
Total Clerk-Treasurer	<u>17,000</u>	<u>16,100</u>	<u>16,500</u>
Zoning and Planning			
Contractual Services	2,000	0	1,100
Lands and Buildings			
Personal Services	8,300	2,900	5,700
Fringe Benefits	1,900	400	1,500
Contractual Services	18,900	18,800	16,400
Materials and Supplies	2,800	5,400	5,600
Total Lands and Buildings	<u>31,900</u>	<u>27,500</u>	<u>29,200</u>
<i>Total General Government</i>	<u>\$73,600</u>	<u>\$63,700</u>	<u>\$67,900</u>

2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted	2011 Forecasted
\$39,200	\$39,000	\$50,500	\$54,800	\$60,600
15,400	15,600	15,800	15,800	15,000
50,400	50,400	50,400	50,400	50,400
500	500	500	500	500
11,100	7,600	8,200	10,800	10,800
55,400	65,100	69,800	75,400	83,100
29,000	30,000	31,000	32,000	33,000
<u>201,000</u>	<u>208,200</u>	<u>226,200</u>	<u>239,700</u>	<u>253,400</u>
1,000	1,000	1,000	1,000	1,000
200	200	200	200	200
<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
10,600	11,100	11,100	11,100	11,100
2,500	2,600	2,600	2,600	2,600
2,300	2,400	2,500	2,600	2,700
1,500	1,600	1,700	1,800	1,900
<u>16,900</u>	<u>17,700</u>	<u>17,900</u>	<u>18,100</u>	<u>18,300</u>
4,200	4,200	4,200	4,200	4,200
0	0	0	0	0
<u>4,200</u>	<u>4,200</u>	<u>4,200</u>	<u>4,200</u>	<u>4,200</u>
10,500	11,000	11,000	11,000	11,000
2,400	2,500	2,500	2,500	2,500
3,300	3,400	3,500	3,600	3,700
1,000	1,100	1,200	1,300	1,400
<u>17,200</u>	<u>18,000</u>	<u>18,200</u>	<u>18,400</u>	<u>18,600</u>
1,600	1,700	1,800	1,900	2,000
9,200	9,700	9,700	9,700	9,700
2,500	2,600	2,600	2,600	2,600
15,000	15,100	15,200	15,300	15,400
5,100	5,200	5,300	5,400	5,500
<u>31,800</u>	<u>32,600</u>	<u>32,800</u>	<u>33,000</u>	<u>33,200</u>
<u>\$72,900</u>	<u>\$75,400</u>	<u>\$76,100</u>	<u>\$76,800</u>	<u>\$77,500</u>

(continued)

**Village of Harveysburg, Ohio**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Cash Basis  
For the Years Ended December 31, 2004 through 2006, Actual  
and Ending December 31, 2007 through 2011, Forecasted

**General Fund**  
(continued)

	2004 Actual	2005 Actual	2006 Actual
<i>Transportation</i>			
<i>Street</i>			
Personal Services	\$3,200	\$2,000	\$0
Fringe Benefits	600	400	0
Contractual Services	1,800	800	0
Materials and Supplies	3,000	1,700	0
Miscellaneous	1,700	0	0
<i>Total Transportation</i>	<u>10,300</u>	<u>4,900</u>	<u>0</u>
<i>Security of Persons and Property</i>			
<i>Police Department</i>			
Personal Services	30,100	22,400	19,800
Fringe Benefits	6,100	7,800	5,000
Contractual Services	9,600	14,800	10,700
Materials and Supplies	18,000	10,200	9,300
<i>Total Police Department</i>	<u>63,800</u>	<u>55,200</u>	<u>44,800</u>
<i>Street Lighting</i>			
Contractual Services	4,800	4,700	4,700
<i>Total Security of Persons and Property</i>	<u>68,600</u>	<u>59,900</u>	<u>49,500</u>
<i>Basic Utility Services</i>			
<i>Refuse Removal</i>			
Contractual Services	30,100	30,700	33,500
<i>Debt Service</i>			
Principal	9,300	10,200	7,900
Interest and Fiscal Charges	2,400	1,600	700
<i>Total Debt Service</i>	<u>11,700</u>	<u>11,800</u>	<u>8,600</u>
<i>Other Expenditures</i>			
Property Tax Collection Fees	0	1,300	1,400
County Health Department	200	100	300
State Audit	7,800	0	7,200
Insurance and Bonding	400	2,900	8,400
Miscellaneous	0	1,900	0
<i>Total Other Expenditures</i>	<u>8,400</u>	<u>6,200</u>	<u>17,300</u>
<i>Total Expenditures</i>	<u>202,700</u>	<u>177,200</u>	<u>176,800</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>6,000</u>	<u>(7,100)</u>	<u>7,900</u>

2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted	2011 Forecasted
\$0	\$0	\$0	\$0	\$0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
30,700	31,700	31,700	31,700	31,700
6,800	7,100	7,100	7,100	7,100
12,700	12,800	12,900	13,000	13,100
11,500	11,600	11,700	11,800	11,900
61,700	63,200	63,400	63,600	63,800
5,000	6,000	6,000	6,000	6,000
66,700	69,200	69,400	69,600	69,800
34,000	43,700	49,400	56,000	63,700
5,200	1,400	0	0	0
300	0	0	0	0
5,500	1,400	0	0	0
1,500	1,500	1,500	1,500	1,500
200	200	200	200	200
0	8,500	0	8,500	0
9,000	9,200	9,400	9,600	9,800
0	0	0	0	0
10,700	19,400	11,100	19,800	11,500
189,800	209,100	206,000	222,200	222,500
11,200	(900)	20,200	17,500	30,900

(continued)

**Contractual Services**

Statement of Revenues, Expenditures, and Changes in Fund Balance - Cash Basis  
For the Years Ended December 31, 2004 through 2006, Actual  
and Ending December 31, 2007 through 2011, Forecasted

**General Fund**  
**(continued)**

	2004 Actual	2005 Actual	2006 Actual
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	0	0
Transfers Out	(30,800)	(6,500)	0
Other Financing Uses	0	0	(1,700)
Advances In	0	13,800	1,700
Advances Out	0	(8,000)	(600)
<i>Total Other Financing Sources (Uses)</i>	<u>(30,800)</u>	<u>(700)</u>	<u>(600)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(24,800)	(7,800)	7,300
<i>Beginning Cash Balance</i>	<u>59,600</u>	<u>34,800</u>	<u>27,000</u>
<i>Ending Cash Balance</i>	<u><u>\$34,800</u></u>	<u><u>\$27,000</u></u>	<u><u>\$34,300</u></u>



2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted	2011 Forecasted
6,800	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>6,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
18,000	(900)	20,200	17,500	30,900
<u>34,300</u>	<u>52,300</u>	<u>51,400</u>	<u>71,600</u>	<u>89,100</u>
<u><u>\$52,300</u></u>	<u><u>\$51,400</u></u>	<u><u>\$71,600</u></u>	<u><u>\$89,100</u></u>	<u><u>\$120,000</u></u>

**Village of Harveysburg, Ohio**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2004 through 2006, Actual  
and Ending December 31, 2007 through 2011, Forecasted

**Street Construction, Maintenance and Repair Special Revenue Fund**

	2004 Actual	2005 Actual	2006 Actual
<b>Revenues</b>			
Intergovernmental Revenue	\$17,400	\$18,400	\$21,500
<b>Expenditures</b>			
<i>Transportation</i>			
<i>Street</i>			
Personal Services	0	4,600	8,000
Fringe Benefits	0	200	1,800
<i>Total Expenditures</i>	<u>0</u>	<u>4,800</u>	<u>9,800</u>
<i>Excess of Revenues Over Expenditures</i>	<u>17,400</u>	<u>13,600</u>	<u>11,700</u>
<b>Other Financing Sources (Uses)</b>			
Other Financing Sources	0	0	1,300
Other Financing Uses	0	0	(400)
Advances In	0	3,000	0
Advances Out	0	(3,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>900</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	17,400	13,600	12,600
<i>Beginning Cash (Deficit) Balance</i>	<u>(26,500)</u>	<u>(9,100)</u>	<u>4,500</u>
<i>Ending Cash (Deficit) Balance</i>	<u><u>(\$9,100)</u></u>	<u><u>\$4,500</u></u>	<u><u>\$17,100</u></u>

<u>2007</u> <u>Forecasted</u>	<u>2008</u> <u>Forecasted</u>	<u>2009</u> <u>Forecasted</u>	<u>2010</u> <u>Forecasted</u>	<u>2011</u> <u>Forecasted</u>
<u>\$20,300</u>	<u>\$21,300</u>	<u>\$22,400</u>	<u>\$23,500</u>	<u>\$24,700</u>
8,600	9,000	9,000	9,000	9,000
1,800	1,900	1,900	1,900	1,900
<u>10,400</u>	<u>10,900</u>	<u>10,900</u>	<u>10,900</u>	<u>10,900</u>
<u>9,900</u>	<u>10,400</u>	<u>11,500</u>	<u>12,600</u>	<u>13,800</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
9,900	10,400	11,500	12,600	13,800
<u>17,100</u>	<u>27,000</u>	<u>37,400</u>	<u>48,900</u>	<u>61,500</u>
<u>\$27,000</u>	<u>\$37,400</u>	<u>\$48,900</u>	<u>\$61,500</u>	<u>\$75,300</u>

**Village of Harveysburg, Ohio**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2004 through 2006, Actual  
and Ending December 31, 2007 through 2011, Forecasted

**Street Levy Special Revenue Fund**

	2004 Actual	2005 Actual	2006 Actual
<b>Revenues</b>			
Property Taxes	\$0	\$17,100	\$19,200
Intergovernmental Revenue	0	100	2,600
<i>Total Revenues</i>	<u>0</u>	<u>17,200</u>	<u>21,800</u>
<b>Expenditures</b>			
<i>Transportation</i>			
<i>Street</i>			
Fringe Benefits	0	1,000	0
Contractual Services	0	0	0
Materials and Supplies	0	0	4,400
Capital Outlay	0	3,100	0
<i>Total Expenditures</i>	<u>0</u>	<u>4,100</u>	<u>4,400</u>
<i>Excess of Revenues Over Expenditures</i>	0	13,100	17,400
<b>Other Financing Sources</b>			
Other Financing Sources	<u>0</u>	<u>0</u>	<u>1,500</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures</i>	0	13,100	18,900
<i>Beginning Cash Balance</i>	<u>0</u>	<u>0</u>	<u>13,100</u>
<i>Ending Cash Balance</i>	<u>\$0</u>	<u>\$13,100</u>	<u>\$32,000</u>

2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted	2011 Forecasted
\$18,800	\$18,700	\$23,900	\$26,400	\$29,500
2,500	2,600	2,700	2,700	2,300
<u>21,300</u>	<u>21,300</u>	<u>26,600</u>	<u>29,100</u>	<u>31,800</u>
0	0	0	0	0
200	200	200	200	200
5,100	5,200	5,300	5,400	5,500
0	0	0	0	0
<u>5,300</u>	<u>5,400</u>	<u>5,500</u>	<u>5,600</u>	<u>5,700</u>
16,000	15,900	21,100	23,500	26,100
0	0	0	0	0
16,000	15,900	21,100	23,500	26,100
<u>32,000</u>	<u>48,000</u>	<u>63,900</u>	<u>85,000</u>	<u>108,500</u>
<u>\$48,000</u>	<u>\$63,900</u>	<u>\$85,000</u>	<u>\$108,500</u>	<u>\$134,600</u>

**Village of Harveysburg, Ohio**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2004 through 2006, Actual  
and Ending December 31, 2007 through 2011, Forecasted

**Permissive Motor Vehicle License Tax Special Revenue Fund**

	2004 Actual	2005 Actual	2006 Actual
<b>Revenues</b>			
Intergovernmental Revenue	\$3,600	\$3,600	\$7,300
<b>Expenditures</b>			
<i>Transportation</i>			
<i>Street</i>			
Personal Services	4,500	2,300	0
Fringe Benefits	1,100	0	0
Contractual Services	700	0	0
Materials and Supplies	800	1,400	0
<i>Total Expenditures</i>	<u>7,100</u>	<u>3,700</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(3,500)	(100)	7,300
<i>Beginning Cash Balance</i>	<u>5,100</u>	<u>1,600</u>	<u>1,500</u>
<i>Ending Cash Balance</i>	<u><u>\$1,600</u></u>	<u><u>\$1,500</u></u>	<u><u>\$8,800</u></u>

<u>2007</u> <u>Forecasted</u>	<u>2008</u> <u>Forecasted</u>	<u>2009</u> <u>Forecasted</u>	<u>2010</u> <u>Forecasted</u>	<u>2011</u> <u>Forecasted</u>
\$8,400	\$9,000	\$9,800	\$11,100	\$11,100
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
1,000	1,100	1,100	1,100	1,200
<u>1,000</u>	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>	<u>1,200</u>
7,400	7,900	8,700	10,000	9,900
<u>8,800</u>	<u>16,200</u>	<u>24,100</u>	<u>32,800</u>	<u>42,800</u>
<u><u>\$16,200</u></u>	<u><u>\$24,100</u></u>	<u><u>\$32,800</u></u>	<u><u>\$42,800</u></u>	<u><u>\$52,700</u></u>

**Village of Harveysburg, Ohio**  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2004 through 2006, Actual  
and Ending December 31, 2007 through 2011, Forecasted

**Police Levy Special Revenue Fund**

	2004 Actual	2005 Actual	2006 Actual
<b>Revenues</b>			
Property Taxes	\$6,581	\$6,200	\$6,900
Intergovernmental Revenue	1,042	100	1,000
<i>Total Revenues</i>	<u>7,623</u>	<u>6,300</u>	<u>7,900</u>
<b>Expenditures</b>			
<i>Security of Persons and Property</i>			
Police			
Personal Services	4,049	10,300	4,900
Fringe Benefits	1,295	3,100	1,000
Contractual Services	1,605	0	0
Materials and Supplies	948	0	0
Capital Outlay	3,920	0	0
<i>Total Expenditures</i>	<u>11,817</u>	<u>13,400</u>	<u>5,900</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(4,194)	(7,100)	2,000
<b>Other Financing Sources</b>			
Other Financing Sources	<u>0</u>	<u>0</u>	<u>400</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	(4,194)	(7,100)	2,400
<i>Beginning Cash Balance</i>	<u>11,845</u>	<u>7,700</u>	<u>600</u>
<i>Ending Cash Balance</i>	<u><u>\$7,651</u></u>	<u><u>\$600</u></u>	<u><u>\$3,000</u></u>



2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted	2011 Forecasted
\$6,800	\$6,600	\$8,300	\$9,100	\$10,200
1,000	1,200	1,300	1,300	900
7,800	7,800	9,600	10,400	11,100
6,700	7,000	7,000	7,000	7,000
1,300	1,400	1,400	1,400	1,400
100	100	100	100	100
0	0	0	0	0
0	0	0	0	0
8,100	8,500	8,500	8,500	8,500
(300)	(700)	1,100	1,900	2,600
0	0	0	0	0
(300)	(700)	1,100	1,900	2,600
3,000	2,700	2,000	3,100	5,000
\$2,700	\$2,000	\$3,100	\$5,000	\$7,600

Village of Harveysburg, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2007 through 2011

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**Note 1 – The Village**

The Village of Harveysburg (the “Village”) is located in Warren County, Ohio, approximately 25 miles south of the City of Dayton and has a population of approximately 563. 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. A publicly elected six-member Council directs the Village.

On September 20, 2001, the Auditor of State’s office declared the Village of Harveysburg to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor, Council President, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer’s Office and the Office of Budget and Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village’s discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Harveysburg provides general governmental services, including police protection services. The Village’s departments include administration, street, and police. The administration includes the Mayor, Clerk-Treasurer, Administrator, and Solicitor. The operation of each of these activities is directly controlled by the Village Council through the budgetary process.

**Note 2 – Nature of Presentation**

This financial forecast presents, to the best of the Village’s knowledge and belief, the expected revenues and expenditures and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village’s judgment, as of February 26, 2007, the date of the forecast, the expected conditions, and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. These funds include:

General Fund – This fund accounts for all financial resources except those required to be accounted for in another fund. The general fund is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Construction, Maintenance and Repair Fund – This fund accounts for all financial resources and expenditures associated with the planning, constructing, improving, maintaining, and repairing of all public roads within the Village.

Street Levy Fund – This fund accounts for revenues received from a 2.5 mill levy that will be used to cover additional expenditures incurred in the planning, constructing, improving, maintaining, and repairing of all public roads within the Village.

Permissive Motor Vehicle License Tax Fund – This fund accounts for additional motor vehicle registration fees designated for street maintenance and repairs within the Village that were levied under State law. The addition of this fee was established by Village Ordinance 03-05.

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Police Levy Fund – This fund accounts for revenues received from a 1.5 mill levy for the purpose of providing additional funds for maintaining motor vehicles, communications, equipment and salaries for the police department. According to Village Ordinance 0-21-2006, the patrol officers will be paid from the police levy fund along with additional police contracted services or supplies as necessary. Other police employees and expenditures will be expended from the General Fund.

**Note 3 – Summary of Significant Accounting Policies**

**A. Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements and encumbrances, which is consistent with the budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**B. Fund Accounting**

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

**General Fund**

The general fund is the operating fund of the Village and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio Law.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

**Capital Projects Funds**

Capital projects funds are to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Tax Budget – A budget of estimated cash receipts and disbursements is submitted to the Warren County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the succeeding year.

Estimated Resources – The county budget commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances – The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

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**Note 4 – General Revenue Assumptions – All Funds**

**A. Property Taxes**

Property Tax revenues consist of real property, public utility real and personal property, manufactured home and tangible personal property taxes. The Village may request advances from the Warren County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues. The Village uses property tax levies to finance general operations, street operations and police protection services.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”. Beginning in 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. This change will increase real property taxes collected against commercial and industrial property.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2006 for taxes collected in 2007. The next triennial update will take place in 2009 for taxes collected in 2010. Based on past years, the Village anticipates consistent increases in real property assessed valuation. The Village’s assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	2004	2005	2006	2007
Real Property				
Residential and Agriculture	\$6,937,580	\$7,076,410	\$7,344,620	\$8,763,580
Commercial and Industrial	778,730	945,050	946,450	922,280
Public Utility Personal Property	119,390	86,760	89,660	129,340
Tangible Personal Property	281,210	251,730	185,668	70,785
Total Assessed Value	<u>\$8,116,910</u>	<u>\$8,359,950</u>	<u>\$8,566,398</u>	<u>\$9,885,985</u>

The property tax revenues are generated from several levies. The levy type, the fund in which the proceeds are received, the original year approved, the latest renewal year, the first and last year of collection, and the full tax rate are as follows:

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	\$2.32
Operating	General	pre 1976	2003	2004	2008	2.50
Operating	Street levy	2004	n/a	2005	2009	2.50
Operating	Police Levy	1987	2002	2003	2007	1.00
Total						<u>\$8.32</u>

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As the general, street, and police levies expire, it is the Village's intention to request voter approval to renew the levies in the last year of collection. The forecast assumes that the levy renewals will pass voter approval based upon the history of voter approval of renewals. As shown in the table above the general levy and the police levy have been renewed several times.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except debt levies, increases in revenues are restricted to amounts generated from new construction. Debt levies are intended to generate a set revenue amount annually. The revenue generated by debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. The effective residential and agricultural real property tax rates and the effective commercial and industrial real property tax rates for the last four years are as follows:

Levy Type	Full Tax Rate	Effective Rates for Collection Years							
		Residential and Agricultural				Commercial and Industrial			
		2004	2005	2006	2007	2004	2005	2006	2007
Inside Millage									
General Operating	2.3200	2.3200	2.3200	2.3200	2.3200	2.3200	2.3200	2.3200	2.3200
Outside Millage									
General Operating	2.5000	2.2102	2.2093	2.1735	1.9173	2.4775	2.4775	2.4775	2.1830
Street	2.5000	0.0000	2.4990	2.4585	2.1687	0.0000	2.5000	2.5000	2.2028
Police	1.0000	0.8816	0.8813	0.8670	0.7648	0.9902	0.9902	0.9902	0.8725
<b>Total</b>	<b>8.3200</b>	<b>5.4118</b>	<b>7.9096</b>	<b>7.8190</b>	<b>7.1708</b>	<b>5.7877</b>	<b>8.2877</b>	<b>8.2877</b>	<b>7.5783</b>

**Tangible Personal Property:** Tangible Personal Property taxes have had several changes in the past several years. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Effective for tax years 2005 and 2006, the assessment rate on inventory was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 will phase out by 25 percent each year tangible personal property tax on most businesses' inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase-out periods addressed above. No tangible personal property taxes will be levied or collected in 2009. Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The State of Ohio will reimburse the Village for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Intergovernmental Revenue below).

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***Real Property:*** Real Property Taxes have increased each year. These increases are due to the reappraisal which occurred in 2006 for taxes collected in 2007. Also, the change in assessed value from the triennial update scheduled in 2009 is undetermined and, therefore, being reflected as remaining constant. The increases are also due to new construction within the Village. The Village has received plans from developers that detail a number of new homes to be built in the community per year. It is estimated that 54 new homes will be built in 2007, 26 new homes will be built in 2008, 31 new homes will be built in 2009, and 52 new homes will be built in 2010. The value of these homes is estimated to be between \$180,000 and \$220,000. One residential development will continue to be built past 2010 with an additional 87 homes. These new additions will add revenue to the Village two years after construction is complete.

**B. Intergovernmental Revenue**

Intergovernmental Revenues include local government monies, local government revenue assistance, and property tax allocations for rollback, homestead and tangible personal property. The local government and local government revenue assistance funds are distributed monthly by the State to the Village and by the county auditor to the Village. The property tax allocations for rollbacks, homestead and tangible personal property are received from the State and are based on information provided by the county auditor.

Beginning in 2006, the State reimburses the Village for lost revenue due to the phase out of tangible personal property tax. In the first five years, the Village will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be made for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the Village is only reimbursed for the difference between the amounts that would have been received under the prior law and amounts actually received as the phase-outs in House Bill 66 are implemented.

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs. In 2006, the State eliminated the ten percent rollback on commercial and industrial real property.

The State exempts the first \$10,000 in personal property from taxation. The State reimburses the Village for the lost revenue. In 2004, the State began to phase out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The report recommends replacing the percentage-of-tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. The recommendation has been included in the State Budget bill for fiscal years 2008 and 2009 that is before the House of Representatives. The outcome of deliberations by the General Assembly on the proposed change to the local government programs is unknown. The forecast assumes the continuation of the local government and the local government revenue assistance programs at the same amount as received in prior years.

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**Note 5 – Specific Fund Revenue Assumptions**

**A. General Fund**

**Fines and Forfeitures**

Fines and Forfeitures represent revenues received from the Mayor's Court. Fines and forfeitures revenues have decreased in the past year; however, the Village is anticipating increasing police coverage by 40 hours per week. The Village did a study of patrol hours and when those patrols occurred and compared the times patrolled to ticket revenues. The study indicated that, by adding these two patrol officers to patrol between the time of 6:00 am and 2:00 pm, this should increase the number of tickets issued, thus increasing fines and forfeitures revenue. Also, for 2007, a correction has been made in recording these fines and forfeitures incorrectly in prior years. These corrections will increase Fines and Forfeitures revenue in the General Fund.

**Interest**

The forecast expects Interest receipts to remain constant throughout the forecast period.

**Licenses and Permits**

Licenses and Permits receipts represent zoning permits, electrical permits, building permits, vendor licenses and annexation fees. Licenses and permits are increasing due to new residential development within the Village. The Village has received plans from developers in the community that detail the number of new homes to be built per year as follows: 54 new homes will be built in 2007, 26 new homes will be built in 2008, 31 new homes will be built in 2009, and 52 new homes will be built in 2010. One residential development will continue to be built past 2010 with an additional 87 homes. Each new home will result in a \$75 building permit and a \$50 electrical permit.

**Charges for Services**

Charges for Services receipts are primarily generated from garbage and trash removal, rent charges, and cell phone tower rental. The Village collects for trash removal. The current fee for trash removal is \$13.95 per month per customer. Due to anticipated development within the Village and the probable increase in fee to \$15.45 per month, Charges for Services receipts are forecasted to increase starting in 2008.

The Village hall is housed in a portion of an old school building. The Village rents out the gymnasium. The Village had been receiving \$1,200 per month for the rental of the gymnasium, but is currently only receiving \$500 per month based upon new occupancy. In 2006, the Village began receiving rent for having a cell phone tower placed on the water tower. This rent will continue to be collected in future years.

**Contributions and Donations**

Contributions and Donations receipts represent donations to the Village every year based upon proceeds from the Renaissance Festival. The donation increases by \$1,000 per year.

**Other Financing Sources**

Other Financing Sources are recorded in 2006 to correct posting errors from the previous year.



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**B. Street Construction, Maintenance and Repair Fund**

**Intergovernmental Revenue**

Intergovernmental Revenue consists of gasoline and motor vehicle license tax. Intergovernmental Revenue increased by an average of 5 percent each year and is reflected in the forecast at that rate. In prior years, the State has had four, two cent increases in the gas tax. New development within the Village will contribute to this increase throughout the forecast period.

**Other Financing Sources**

Other Financing Sources are recorded in 2006 to correct posting errors from the previous year.

**C. Street Levy Fund**

**Other Financing Sources**

Other Financing Sources are recorded in 2006 to correct posting errors from the previous year.

**D. Permissive Motor Vehicle License Tax Fund**

**Intergovernmental Revenue**

Intergovernmental Revenue includes permissive motor vehicle license fees. These revenues are collected and distributed by the State directly to the Village. For the forecast period, these revenues are anticipated to increase by the estimated number of new homes per year multiplied by an estimated two cars per household. The Village receives permissive motor vehicle license fees under Ohio Revised Code Sections 4504.15, 4504.171, and 4504.172 for a total fee of \$12.50 per vehicle. The total number of estimated new vehicles is then multiplied by the \$12.50 permissive motor vehicle license fee. The increase in 2006 is due to residents of the Village of Harveysburg requesting that their license tax go to the Village of Harveysburg rather than to the Village of Waynesville. In the past, the license tax was distributed to the Village of Waynesville based upon the taxpayer having a Waynesville zip code but actually residing within the Village of Harveysburg limits.

**Note 6 – General Expenditure Assumptions – All Funds**

**A. Personal Services**

Personal Services include the salaries and wages paid to the employees and elected officials of the Village. All employees receive their compensation on a bi-weekly basis except the Mayor, Solicitor, Magistrate, and Court Officer who are paid monthly. Village Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave, for employees. All employees are classified as part-time employees.

The Mayor's current annual salary is \$1,000 and is paid from the General Fund Mayor's Office program code. The Court Officer and Magistrate's current annual salaries are \$672 and \$3,000, respectively, and are paid from the General Fund Mayor's Court program code. The Village Administrator receives an annual salary of \$9,107 and is paid from the Land and Buildings program. This position was vacant for part of 2006. The Solicitor receives an annual salary of \$4,200 and is paid from the Legal Council program. This position was also vacant for part of 2005 and 2006 due to a variety of reasons. The Fiscal Officer's department includes one employee. The fiscal officer's compensation is currently \$6,880, annually, for Mayor's Court Clerk duties and \$10,483, annually, for Clerk-Treasurer duties.

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The Village Council includes six members. Council members do not receive a salary.

The Police Department is staffed by a Chief, Assistant Chief, and two Patrol Officers. The Chief and Assistant Chief are paid from the general fund and the Patrol Officers are paid from the police levy fund. The Chief's current compensation is \$10,868 annually based upon a 20 hour work week. The Assistant Chief earns \$9,360 annually based upon a 16 hour work week and the Patrol Officers earn \$3,328 annually based upon an 8 hour work week. It is the intent of the Village to increase the current hours of police coverage by 40 hours per week. This increase in hours will be conducted by two new officers, which will be paid from the general fund. This increase in Police Department salaries and benefits is forecasted within the General Fund in 2007 and throughout the remainder of the forecasted period.

The Street Maintenance employee earns \$8,438 per year and is paid from the Street Construction, Maintenance and Repair fund.

The salaries and wages for all employees, except for elected officials, are anticipated to increase five percent in 2008. No additional wage increases are expected in 2009, 2010, or 2011. No future increases are expected for the Village's elected officials within the forecast period.

#### B. Fringe Benefits

Fringe Benefits include employer contributions to the State pension system, workers' compensation, and Medicare.

All employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 9.00 percent of their annual-covered wages and the Village is required to contribute 13.70 percent of annual-covered wages for 2006. Starting in 2007 both the employee and employer rates will increase annually. The employee share will be 9.50 percent in 2007 and 10.00 percent (the maximum) thereafter. The employer rate will be 13.85 percent in 2007 and 14.00 percent (the maximum) thereafter.

Village employees earn vacation based upon years of service. All vacation days must be taken during the year and cannot be carried forward. Village employees earn five sick days per year which cannot be carried forward.

The Village participates in a group rating pool for workers' compensation. By participating in this pool, the Village is able to receive a discount on their worker's compensation premium.

#### C. Capital Outlay

The Village anticipates no capital projects will be necessary during the forecast period. The Village also anticipates no purchases of vehicles or other capital equipment will be necessary within the forecast period.

Village of Harveysburg, Ohio  
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**Note 7 – Specific Fund Expenditure Assumptions**

**A. General Fund**

**Contractual Services**

Contractual Services consist of utilities and Uniform Accounting Network fees. Contractual Services are anticipated to increase slightly each year of the forecast period due to inflation.

The Village also expends money for Contractual Services related to trash removal. The Village has a one year contract with Rumpke Waste Collections, which is renewable every year until December 31, 2008. The Village intends to sign another contract after the 2008 contract has ended. The Village collects monies for these services, which are then remitted to the trash removal company. The current fees for solid waste collections are \$13.95 per unit per month and \$2.90 per unit per month for curbside recycling collection. Due to anticipated development within the Village along with an increase in rates, Contractual Services expenditures are forecasted to increase starting in 2008 for trash removal.

**Materials and Supplies**

Materials and Supplies expenditures include office supplies, building supplies, gas purchases, postage, etc. Materials and Supplies are anticipated to increase slightly each year of the forecast period due to inflation.

**Debt Service**

Debt Service principal and interest expenditures include payments for police cruisers. The Village will make the last debt payments on the police cruisers in 2008.

**Other Expenditures**

Property tax collection fees and health department fees are anticipated to remain consistent throughout the forecast period. State audit fees are estimated at \$8,500 and the Village is audited every other year for a two-year period. Insurance and bonding premiums are expected to increase slightly over the forecasted period.

**Other Financing Uses**

Other Financing Uses are recorded in 2006 to correct posting errors from the previous year.

**B. Street Construction, Maintenance and Repair Fund**

**Other Financing Uses**

Other Financing Uses are recorded in 2006 to correct posting errors from the previous year.

**C. Street Levy Fund**

**Contractual Services**

Property Tax Collection Fees are anticipated to remain consistent throughout the forecast period.

**Material and Supplies**

Material and Supplies expenditures include gasoline and various supplies and were appropriated at \$5,000 for 2006. Materials and Supplies are anticipated to increase slightly each year of the forecast period due to inflation.

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D. Permissive Motor Vehicle License Tax Fund

Material and Supplies

Material and Supplies expenditures are estimated to be around \$1,000 each year for street paving and repair materials and for street department supplies. Materials and Supplies are anticipated to increase slightly each year of the forecast period due to inflation.

E. Police Levy Fund

Contractual Services

Property Tax Collection Fees are anticipated to remain consistent throughout the forecast period.



**Mary Taylor, CPA**  
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  
JUNE 19, 2007**