

Village of Harveysburg
Warren County
Regular Audit
For the Years Ended December 31, 2017 and 2016



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OHIO AUDITOR OF STATE KEITH FABER



Village Council
Village of Harveysburg
PO Box 189 79 W Main St.
Harveysburg, OH 45032-0189

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, 2016 through December 31, 2017. 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.

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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 30, 2019

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Village of Harveysburg
Warren County
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For the Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Harveysburg, Warren County, (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Harveysburg, Warren County, as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

December 20, 2018

**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, 2017*

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$39,090	\$44,605	\$83,695
Intergovernmental	16,347	38,173	54,520
Charges for Services	45,874	676	46,550
Fines, Licenses and Permits	81,788	3,003	84,791
Earnings on Investments	205	136	341
Miscellaneous	43,552	0	43,552
Total Cash Receipts	226,856	86,593	313,449
Cash Disbursements:			
Current:			
Security of Persons and Property	7,384	40,086	47,470
Public Health Services	327	0	327
Leisure Time Activities	1,723	0	1,723
Community Environment	5,480	0	5,480
Basic Utility Services	47,035	0	47,035
Transportation	0	40,938	40,938
General Government	80,646	2,317	82,963
Capital Outlay	0	14,750	14,750
Total Cash Disbursements	142,595	98,091	240,686
Total Receipts Over (Under) Disbursements	84,261	(11,498)	72,763
Other Financing Receipts/(Disbursements):			
Transfers In	0	15,000	15,000
Transfers Out	(15,000)	0	(15,000)
Other Financing Uses	(325)	(299)	(624)
Total Other Financing Receipts/(Disbursements)	(15,325)	14,701	(624)
Net Change in Fund Cash Balances	68,936	3,203	72,139
Fund Cash Balances, January 1	113,422	200,388	313,810
Fund Cash Balances, December 31			
Restricted for:			
Court Clerk Computerization	0	4,752	4,752
Mayor's Court Computerization	0	7,541	7,541
Police Operations	0	37,306	37,306
Road Maintenance and Improvements	0	153,992	153,992
Assigned for:			
Encumbrances	3,174	0	3,174
Unassigned	179,184	0	179,184
Fund Cash Balances, December 31	\$182,358	\$203,591	\$385,949

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, 2017

	Fiduciary Fund Types
	Agency Funds
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$97,426
Total Non-Operating Cash Receipts	97,426
Non-Operating Cash Disbursements:	
Other Non-Operating Disbursements	94,017
Total Non-Operating Cash Disbursements	94,017
Net Receipts Over Disbursements	3,409
Fund Cash Balances, January 1	6,529
Fund Cash Balances, December 31	\$9,938

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 Year Ended December 31, 2017

Note 1 – Reporting 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 9 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Deposits

The Village maintains its deposits pool in checking accounts with a local commercial bank.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 private purpose 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. 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 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 2017 budgetary activity appears in Note 4.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balances

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.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 3 – Deposits

The Village maintains a deposits pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2017 was as follows:

Demand Deposits \$395,887

Deposits – Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 4 – Budgetary Activity

Budgetary activity, except for agency funds, for the year ending December 31, 2017 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$204,286	\$226,856	\$22,570
Special Revenue	102,549	101,593	(956)
Total	\$306,835	\$328,449	\$21,614

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$204,286	\$161,094	\$43,192
Special Revenue	289,978	98,390	191,588
Total	\$494,264	\$259,484	\$234,780

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – 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.

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.

Note 6 – Defined Benefit Pension Plan and Postemployment Benefits

Ohio Public Employees Retirement System

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 2017, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 7 – 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. 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 York. 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$6,000.

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
<u>2017</u>
\$8,888

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 8 – Interfund Activity

During the year ended December 31, 2017, the Village had the following interfund activity:

	Transfer In	Transfer Out
General Fund	\$0	\$15,000
Street Levy Fund	15,000	0
Total	<u>\$15,000</u>	<u>\$15,000</u>

Transfers were made from the general fund to the street levy fund to subsidize operations.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – 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 10 – Contingent Liabilities

The Village is currently not party to litigation. Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding for any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Noncompliance

The Village had several instances where disbursements were not encumbered in accordance with Ohio Revised Code Section 5705.41(D), resulting in noncompliance.

**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, 2016

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$39,792	\$45,321	\$85,113
Intergovernmental	22,754	37,746	60,500
Charges for Services	45,534	0	45,534
Fines, Licenses and Permits	68,320	2,721	71,041
Earnings on Investments	174	109	283
Miscellaneous	40,652	10,683	51,335
Total Cash Receipts	217,226	96,580	313,806
Cash Disbursements:			
Current:			
Security of Persons and Property	67	55,303	55,370
Public Health Services	626	0	626
Leisure Time Activities	2,671	273	2,944
Community Environment	3,413	0	3,413
Basic Utility Services	37,222	0	37,222
Transportation	0	44,130	44,130
General Government	118,105	5,891	123,996
Capital Outlay	0	4,000	4,000
Total Cash Disbursements	162,104	109,597	271,701
Total Receipts Over (Under) Disbursements	55,122	(13,017)	42,105
Other Financing Receipts/(Disbursements):			
Transfers In	0	66,200	66,200
Sale of Fixed Asset	0	3,810	3,810
Transfers Out	(66,200)	0	(66,200)
Total Other Financing Receipts/(Disbursements)	(66,200)	70,010	3,810
Net Change in Fund Cash Balances	(11,078)	56,993	45,915
Fund Cash Balances, January 1	124,500	143,395	267,895
Fund Cash Balances, December 31			
Restricted for:			
Court Clerk Computerization	0	3,638	3,638
Mayor's Court Computerization	0	7,100	7,100
Police Operations	0	59,962	59,962
Road Maintenance and Improvements	0	129,688	129,688
Assigned for:			
Encumbrances	3,094	0	3,094
Subsequent Budget Deficit	18,400	0	18,400
Unassigned	91,928	0	91,928
Fund Cash Balances, December 31	\$113,422	\$200,388	\$313,810

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, 2016

	Fiduciary Fund Types
	Agency Funds
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$78,245
Total Non-Operating Cash Receipts	78,245
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	77,678
Total Non-Operating Cash Disbursements	77,678
Net Receipts Over Disbursements	567
Fund Cash Balances, January 1	5,962
Fund Cash Balances, December 31	\$6,529

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 Year Ended December 31, 2016

Note 1 – Reporting 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 9 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Deposits

The Village maintains its deposits pool in checking accounts with a local commercial bank.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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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. 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 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 2016 budgetary activity appears in Note 4.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balances

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.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 3 – Deposits

The Village maintains a deposits pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 was as follows:

Demand Deposits \$320,339

Deposits – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

Note 4 – Budgetary Activity

Budgetary activity, except for agency funds, for the year ending December 31, 2016 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,623	\$217,226	\$71,603
Special Revenue	157,789	166,590	8,801
Total	\$303,412	\$383,816	\$80,404

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$295,550	\$231,398	\$64,152
Special Revenue	268,911	109,597	159,314
Total	\$564,461	\$340,995	\$223,466

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – 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.

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.

Note 6 – Defined Benefit Pension Plan and Postemployment Benefits

Ohio Public Employees Retirement System

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 2016, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 7 – 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 net position at December 31, 2016:

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016, the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$6,000.

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
<u>2016</u>
\$8,888

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 8 – Interfund Activity

During the year ended December 31, 2016, the Village had the following interfund activity:

	Transfer In	Transfer Out
General Fund	\$0	\$66,200
Police Levy Fund	66,200	0
Total	<u>\$66,200</u>	<u>\$66,200</u>

Transfers were made from the general fund to the policy levy fund to subsidize operations.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – 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 10 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustments by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Litigation

The Village is currently not party to legal proceedings.

Note 11 – Noncompliance

The Village had several instances where disbursements were not encumbered in accordance with Ohio Revised Code Section 5705.41(D), resulting in noncompliance.

The Village had appropriations in excess of estimated resources, which is contrary to Ohio Revised Code Section 5705.39.

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*

Independent Auditor's Report

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

We have audited 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, the financial statements of the Village of Harveysburg, Warren County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-002 through 2017-004, that we consider to be material weaknesses.

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

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 2017-001 and 2017-005.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

December 20, 2018

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

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

FINDING NUMBER 2017-001

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 several expenditures tested during the audit period. 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:

"Then and Now" purchase orders are not the routine manner for business. Resolutions and purchase orders follow budgeting and council approval.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

FINDING NUMBER 2017-002

Material Weakness – 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 during the audit period and the reconciliations were not signed off on and approved by Council.

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

Client Response:

Work has begun to reconcile the account. Council is aware of this on-going problem. When completed the Clerk of Courts will be able to reconcile and report to Fiscal Officer.

FINDING NUMBER 2017-003

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 had various errors reported within its financial statements. Some of these errors included recording receipts and expenses in the incorrect funds, errors in classification of fund balance, and other misclassifications of line items. All identified 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:

Council has been advised. Closer/tighter controls to be discussed for compliance.

FINDING NUMBER 2017-004

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 information was entered into the accounting system that could not be identified as approved within the minutes or filed with the County. Variances were also noted between the 2017 and 2016 beginning fund balances per the Village’s records and those in the prior year audited report. 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 authorizations and amendments and reconciling budgetary information within the accounting system to formally approved budgets.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

FINDING NUMBER 2017-004 (Continued)

Material Weakness – Budgetary Information Within UAN (Continued)

This is to ensure budgetary information is presented accurately and completely.

Client Response:

Budgeting has now been covered with Council. The Fiscal Officer and Administration with the Mayor move to improve and accurately budget funds.

FINDING NUMBER 2017-005

Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. It was noted during testing that in 2016 the Village had appropriations exceeding estimated resources in the General, State Highway, and Clerk of Courts Computerization funds. There were also immaterial instances of noncompliance in the Street Construction and State Highway funds in 2017. The Village should implement procedures to ensure appropriations do not exceed estimated resources.

Client Response:

Advised Council. Will make corrective measures to comply.

Village of Harveysburg
Warren County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2017 and 2016

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2015-001	Noncompliance – Proper Encumbrance of Funds	No	Reissued as Finding 2017-001
2015-002	Material Weakness – Bank Reconciliations	No	Reissued as Finding 2017-002
2015-003	Material Weakness – Misstatements and Misclassifications in the Financial Statements	No	Reissued as Finding 2017-003
2015-004	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2017-004
2015-005	Noncompliance – Expenditures in Excess of Appropriations	Yes	
2015-006	Noncompliance/Material Weakness – OPERS	Yes	
2015-007	Noncompliance – Transfer Approval	Yes	
2015-008	Noncompliance – Adoption of Appropriations	Yes	

OHIO AUDITOR OF STATE
KEITH FABER



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
FEBRUARY 12, 2019**