

**VILLAGE OF HARVEYSBURG  
WARREN COUNTY, OHIO**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**





**Auditor of State  
Betty Montgomery**

Members of Council  
Village of Harveysburg  
79 West Main Street  
PO Box 189  
Harveysburg, Ohio 45032

We have reviewed the *Independent Auditors' Report* of the Village of Harveysburg, Warren County, prepared by Bastin & Company, LLC, for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 7, 2006

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VILLAGE OF HARVEYSBURG  
WARREN COUNTY, OHIO

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# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

Village of Harveysburg  
Warren County  
79 E. Main Street  
Harveysburg, Ohio 45032

We have audited the accompanying financial statements of the Village of Harveysburg, Warren County, Ohio, (the Village) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
August 31, 2006

**VILLAGE OF HARVEYSBURG  
WARREN COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES  
For The Year Ended December 31, 2004**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Local Taxes	\$33,460	\$10,149	\$ -	\$ -	\$43,609
Intergovernmental Receipts	11,392	46,317	-	-	57,709
Charges for Services	93,374	-	-	-	93,374
Fines, Licenses and Permits	68,855	3,760	-	-	72,615
Interest receipts	379	-	-	-	379
Miscellaneous	<u>1,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,112</u>
Total Cash Receipts	<u>208,572</u>	<u>60,226</u>	<u>-</u>	<u>-</u>	<u>268,798</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	80,458	44,711	-	-	125,169
Public Health and Welfare	180	-	-	-	180
Community Environment	2,000	-	-	-	2,000
Basic Utility Services	30,068	-	-	-	30,068
Transportation	10,348	10,955	-	-	21,303
General Government	79,661	521	-	-	80,182
Debt Service:					
Principal Payment	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Total Cash Disbursements	<u>202,715</u>	<u>56,187</u>	<u>8,000</u>	<u>-</u>	<u>266,902</u>
Total Receipts Over (Under) Disbursements	<u>5,857</u>	<u>4,039</u>	<u>(8,000)</u>	<u>-</u>	<u>1,896</u>
<i>Other Financing Receipts/(Disbursements):</i>					
Transfers – In	-	9,501	-	21,266	30,767
Transfers – Out	<u>(30,767)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,767)</u>
Total Other Financing Receipts/ (Disbursements)	<u>(30,767)</u>	<u>9,501</u>	<u>-</u>	<u>21,266</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements	(24,910)	13,540	(8,000)	21,266	1,896
Fund Cash Balance, January 1, 2004	<u>59,558</u>	<u>1,697</u>	<u>31,880</u>	<u>(41,266)</u>	<u>51,869</u>
Fund Cash Balance, December 31, 2004	<u>\$ 34,648</u>	<u>\$ 15,237</u>	<u>\$ 23,880</u>	<u>\$(20,000)</u>	<u>\$ 53,765</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HARVEYSBURG  
WARREN COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES –FIDUCIARY FUND TYPE  
For The Year Ended December 31, 2004**

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<i>Non-Operating Cash Receipts and Disbursements:</i>	
Other Non-Operating Receipts	\$ 72,550
Other Non-Operating Disbursements	<u>83,855</u>
Net Cash Receipts Over/ (Under) Cash Disbursements	(11,305)
Fund Cash Balance, January 1, 2004	<u>11,319</u>
Fund Cash Balance, December 31, 2004	<u><u>\$ 14</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HARVEYSBURG**  
**WARREN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Harveysburg, Warren County, (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. The Village provides general government services including police services. The Village contracts with Massie Township to provide fire protection services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

Village funds are pooled in a checking and savings account with a local commercial bank.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

*Police Levy Fund* - This fund receives tax levy proceeds to provide police protection for the Village.

*Permissive Tax Fund* - This fund receives monies for road repairs.

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

*Water Debt Fund* - This fund accounts for the monies due to the Warren County Water Department.

**4. Capital Project Fund**

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

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

**5. Fiduciary Fund (Agency Fund)**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and re-appropriated in the subsequent year.

A summary of 2004 budgetary activity appears in Note 3.

## F. Property, Plant and Equipment

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

## G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

## H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

## 2. EQUITY IN POOLED CASH AND DEPOSITS

The Village maintains a pool of cash used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amounts of cash at December 31, 2004 was as follows:

Mayor's Court	\$ 14
Demand deposits	<u>53,765</u>
Total deposits	<u><u>\$53,779</u></u>

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

## 3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$215,320	\$208,572	(\$6,748)
Special Revenue	56,532	69,727	13,195
Capital Projects	0	21,266	21,266
Total	<u>\$271,852</u>	<u>\$299,565</u>	<u>\$27,713</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$219,517	\$233,482	(\$13,965)
Special Revenue	50,700	56,187	(5,487)
Debt Service	8,000	8,000	0
Total	<u>\$278,217</u>	<u>\$297,669</u>	<u>(\$19,452)</u>

#### 4. COMPLIANCE

For the year ended December 31, 2004, the Village incurred the following compliance issues. These and other issues are further addressed in the 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 Standard*:

- The Village did not properly certify the availability of funds contrary to Ohio Revised Code, Section 5705.41.
- The Village had deficit cash balances of \$9,112 in the Street Construction, Maintenance & Repair Fund and \$20,000 in the Capital Projects Fund contrary to Ohio Revised Code, Section 5705.10.
- The Village's appropriations exceeded estimated resources available by \$13,283 in the Street Construction, Maintenance & Repair Fund and by \$260 in the Federal Grant fund contrary to Ohio Revised Code, Section 5705.39. These items are a result of the funds having negative cash balances at the beginning of the year that reduced estimated resources available below appropriated amounts.
- The Village's expenditures exceeded appropriations in the following funds contrary to Ohio Revised Code Section 5705.41 (B):

	<u>Excess</u>
General Fund	\$13,965
Police Levy Fund	6,818
Federal Grant Fund	8,200

- Mayor's Court receipts were not deposited in a timely matter to Ohio Revised Code Sections 9.38.

#### 5. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

## 6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Warren County Water Debt	\$23,522	0.00%
Police Cruiser Lease 1	8,664	9.00%
Police Cruiser Lease 2	<u>15,993</u>	7.45%
Total	<u>\$48,179</u>	

USDA Rural Development Loans (reflected above as the Warren County Water Debt) was obtained by the Village in July 1989. These loans were acquired by the Village for improvements to their water tower and system. The Village did not comply with the debt covenants related to these loans as follows:

In years prior to 2000, the Village did not maintain rates to collect revenues sufficient to pay all expenses incident to the operation of the system; the Village also did not maintain complete books and records relating to the operation of the system and its financial affairs and disbursements were made from the reserve fund without the required permission of the FMHA.

These loans were assumed by Warren County in January 2000 when the County assumed the water operations of the Village. As part of the agreement with Warren County, the Village was to transfer all monies within the water fund to the County and transfer unpaid amounts to the County. Any unpaid amounts would be certified to the County Auditor for collection.

Contrary to the covenants noted above, the Village did not transfer all water fund monies to Warren County and unpaid balances were not identified for certification to the County Auditor for collection in 2001 or 2000. The Village agreed to pay \$68,368, to the County, at a rate of \$8,000 per year until paid in full. At December 31, 2004, the Village had paid \$44,846 of the obligation.

The Village entered into a Police Cruiser Lease in July 2001 and a second Police Cruiser lease in May 2002. Payments on the leases are made from the general fund. The Village will own the vehicles at the end of the lease.

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

<u>Year ending December 31:</u>	<u>Warren County</u>	<u>Police Cruiser Lease 1</u>	<u>Police Cruiser Lease 2</u>
2005	\$8,000	\$6,204	\$5,556
2006	8,000	3,102	5,556
2007	7,522	0	5,556
2008	<u>0</u>	<u>0</u>	<u>1,389</u>
Total	<u>\$23,522</u>	<u>\$9,306</u>	<u>\$18,057</u>

## 7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2004 OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2004. The Village's required contributions for 2004 were \$14,686. The Village has paid all contributions required through December 31, 2004.

## **8. RISK MANAGEMENT**

### **Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

## **9. RECLASSIFICATION OF FUNDS**

For the year ended December 31, 2004, the Village has reclassified the Water Debt Fund from an Enterprise type fund to a debt service type fund to account for the retirement of debt due to the Warren County Water Department.

## **10. FISCAL EMERGENCY DECLARATION**

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

On September 20, 2001, the Local Government Services Division of the Auditor of State's Office issued a report to officials of the Village, which details the criteria and results of the fiscal emergency review. The conclusion of this report was that fiscal emergency conditions existed under Sections 118.03(A) (5), 118.03(A) (6) and 118.03 (B) and the Village was declared under fiscal emergency.

The Village remains under the fiscal emergency declaration as of December 31, 2004.

# Bastin & Company, LLC

*Certified Public Accountants*

## **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***

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

We have audited the financial statements of the Village of Harveysburg, Warren County, Ohio (the Village), as of and for the year ended December 31, 2004, and have issued our report thereon dated August 31, 2006 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-006 through 2004-007.

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

### **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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as items 2004-001 through 2004-005.

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

*Bastin & Company, L L C*

Cincinnati, Ohio  
August 31, 2006

**VILLAGE OF HARVEYSBURG  
WARREN COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2004**

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

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

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officers’ certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

The Village fiscal officer did not certify the availability of funds for 90 percent of the commitments tested.

**Village’s Response**

The Village concurs with the citation and will attempt to ensure that proper certification is obtained in the future.

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

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

As of December 31, 2004, the Village had a deficit cash balance of \$9,112 in the Street Construction, Maintenance & Repair Fund and \$20,000 in the Capital Projects Fund.

A deficit cash balance indicates money from another fund(s) has been used to pay the obligations of the aforementioned funds.

**Village’s Response**

The Village concurs with the citation. The negative balances are a result of prior year activities and efforts are being made annually to bring the funds with negative cash balances into compliance by reducing expenditures in this and future years and by transferring funds as they become available to eliminate negative balances.

**FINDING NUMBER 2004-003**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year).

Appropriations exceeded estimated resources in the following funds during 2004:

Fund	Estimated Resources	Appropriations	Variance
Federal Grant	\$28,090	\$28,350	(\$260)
Street Construction, Maintenance & Repair Fund	(13,283)	0	(13,283)

**Village's Response**

The Village concurs with the citation. The Village did not consider the fund's negative cash balance at the beginning of the year in the Federal Grant Fund that reduced available resources that could be appropriated. The Street Construction Maintenance & Repair Fund is solely a result of a negative cash balance at the beginning of the year.

**FINDING NUMBER 2004-004**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

Expenditures exceeded appropriations at the legal level of control in the following funds during 2004:

Fund	Appropriations	Expenditures	Variance
General Fund	\$219,517	\$233,482	(\$13,965)
Police Levy Fund	5,000	11,818	(6,818)
Federal Grant Fund	28,350	36,550	(8,200)

**Village's Response**

The Village concurs with the citation.

## **FINDING NUMBER 2004-005**

### **Noncompliance Citation**

Ohio Rev. Code, Section 9.38, states public money must be deposited with the clerk of the public office or to a designated depository on the business day of the receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternate time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the money until the time of deposit.

The Mayor's Court receipts were not deposited consistently in accordance with the above requirement.

### **Village's Response**

The Village concurs with the citation. A new Mayor's Court accounting system is being implemented which will allow more control over the collection and distribution of monies.

## **FINDING NUMBER 2004-006**

### **Reportable Condition**

During 2004, we noted the following conditions that are evidence of a lack of adequate segregation of duties and/or a lack of adequate oversight and review by appropriate personnel:

- Errors were made in the filing of payroll tax forms (941).
- Village Council was not being provided adequate monthly budgetary and actual expenditure reports for review.
- A monthly reconciliation of permits issued to applicable fees collected was not being performed.
- A monthly reconciliation of the Mayor's Court account, related activities and open items was not being prepared.

The small size of the Village staff does not allow for adequate segregation of duties during the normal course of operations. As a result the risk is increased that errors or misstatements may occur and not be detected.

Village Council needs to take a more active roll in monitoring and approving the financial activity of the Village by periodically reviewing and approving financial activities. Information should be provided to Council for their approval such as detailed budget and actual reports, bank account reconciliations, listings of monthly receipts and disbursements and any other critical compliance documents. Council's approval of these documents should be noted in the minutes of their meetings.

### **Village's Response**

The Village agrees with the comments. We are working to correct errors in the filing of the 941 forms and providing more information to management on a regular basis. We are now using UAN for our accounting system which should allow for better reporting capabilities. A new mayor's court system will also allow us to better control mayor's court records.

## **FINDING NUMBER 2004-007**

### **Reportable Condition**

Employees of the Village verbally communicate hours worked to the Village Clerk for payroll purposes. Time sheets are not currently required. In addition, support for pay rates consist of a handwritten log maintained by the Clerk.

All employees should be required to submit time sheets to document hours worked and leave time taken. Village Council should provide formal approval of pay rates and any changes to pay rates for all Village personnel.

### **Village's Response**

The Village agrees with the comments. The Village is currently working on instituting a timesheet process and will have Council formally approve pay rates and any changes.

**VILLAGE OF HARVEYSBURG  
WARREN COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation:
2003-001	Material Noncompliance – Proper Certification of Funds/Encumbering	No	Not Corrected – Instances were noted where Village officials did not certify contracts and/or purchase orders. Re-issued as finding 2004-001.
2003-002	Material Noncompliance – Use of funds for proper purpose	No	Not Corrected – Certain funds still have deficit cash balances. Re-issued as finding 2004-002.
2003-003	Material Noncompliance – Appropriations exceeded estimated resources	No	Not Corrected – Instances were noted where appropriations exceeded estimated resources. Re-issued as finding 2004-003.
2003-004	Material Noncompliance – Expenditures exceeded appropriations	No	Instances of non-compliance were noted during the audit period. Re-issued as finding 2004-004
2003-005	Material Noncompliance Reportable Condition – Village did not follow proper budgetary procedures	Yes	Corrected – Village did obtain certification for 2004.
2003-006	Material Noncompliance – Deposit of receipts not timely.	No	Instances of non-compliance were noted during the audit period for Mayor’s Court receipts. Re-issued as finding 2004-005
2003-007	Material Noncompliance – Mayor’s Court payments to Village not timely	Yes	Instances were not noted for the current fiscal year.
2003-008	Material Weakness – Accounting procedures over internal controls	No	Partially Corrected – With ongoing assistance from LGS, and ongoing training of the Village’s Clerk, use of the UAN system to maintain books, internal controls have been partially strengthened, however certain conditions remain. Re-issued as finding 2004-006
2003-009	Reportable Condition- Village employees hours paid were not supported by time sheets.	No	Not Corrected – Instances were noted where hours paid were not supported by time sheets. Re-issued as finding 2004-007.



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**VILLAGE OF HARVEYSBURG**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 21, 2006**