

**VILLAGE OF HARVEYSBURG  
WARREN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2005**





**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, 2005 through December 31, 2005. 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 "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 7, 2006

**This Page is Intentionally Left Blank.**

**VILLAGE OF HARVEYSBURG  
WARREN COUNTY, OHIO**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	3
 Basic Financial Statements	
Government-wide Financial Statements - Fiscal Year 2005:	
Statement of Net Assets – Modified Cash Basis .....	10
Statement of Activities – Modified Cash Basis .....	11
 Fund Financial Statements - Fiscal Year 2005:	
Statement of Modified Cash Basis Assets and Fund Balance – Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances - Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund .....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Street Levy Fund.....	17
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – State Grant Fund .....	18
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Mayor's Court Computer Fund .....	19
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Water Fund .....	20
Statement of Fiduciary Net Assets – Modified Cash Basis .....	21
 Notes to the Financial Statements.....	 22
 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	  33
 Schedule of Findings.....	 35
 Schedule of Prior Year Findings.....	 39

# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Harveysburg, Warren County, Ohio (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 the *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 discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Harveysburg, Warren County, Ohio as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Street Levy, State Grant, Mayor's Court Computer, and Water Funds for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Village revised its financial presentation to the requirements of Governmental Accounting Standard No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

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 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 assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Cincinnati, Ohio  
August 31, 2006

Village of Harveysburg, Warren County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005

---

Unaudited

This discussion and analysis of the Village of Harveysburg's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$1,872, or 3.5 percent, from the prior year.

The Village's general receipts are primarily property taxes. These receipts represent 19.52 percent of the total cash received for governmental activities during the year

The Village had \$296,319 in disbursements: only \$186,958 of these disbursements were offset by program specific charges for services, sales, grants and contributions.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion

Village of Harveysburg, Warren County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005

---

Unaudited

within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Village as a Whole**

**Statement of Net Assets and the Statement of Activities – Modified Cash Basis**

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Village has only governmental activities, which includes police and street services. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village fall into one category: governmental.

*Governmental Funds* - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Street Levy, State Grants, Mayor's Court Computer and Water Special Revenue Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Village of Harveysburg, Warren County, Ohio  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2005

Unaudited

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$51,893	\$53,765
<b>Total Assets</b>	<b>\$51,893</b>	<b>\$53,765</b>
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	(\$13,500)	(\$20,000)
Other Purposes	52,957	39,117
Unrestricted	12,436	34,648
<b>Total Net Assets</b>	<b>\$51,893</b>	<b>\$53,765</b>

As mentioned previously, total net assets of governmental activities decreased \$1,872, or 3.5 percent during 2005. However, unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, decreased \$22,212. This was due in large part to the transfer of \$6,500 from the General Fund to the Capital Improvements Capital Projects Fund to help reduce that fund's deficit cash balance and other financing uses related to an IRS deduction that the Village intends to recover.

Cash and Cash Equivalents, excluding the effect of the IRS deduction, would have increased by \$10,655 from the prior year due in large part to the Village's commitment to reduce expenditures, which in turn increases fund balances, which will enable the Village to qualify for the release from Fiscal Emergency in 2006.

Village of Harveysburg, Warren County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005

Unaudited

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2005
	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$104,693
Operating Grants and Contributions	34,197
Capital Grants and Contributions	48,068
Total Program Receipts	186,958
General Receipts:	
Property and Other Local Taxes	61,077
Grants and Entitlements Not Restricted to Specific Programs	45,984
Interest	428
Total General Receipts	107,489
Total Receipts	294,447
Disbursements:	
Security of Persons and Property:	104,822
Public Health Services	90
Economic Development	235
Basic Utilities	30,665
Transportation	66,236
General Government	70,684
Capital Outlay	3,060
Debt Service	8,000
Other Financing Uses	12,527
Total Disbursements	296,319
Increase (Decrease) in Net Assets	(1,872)
Net Assets, January 1, 2005	53,765
Net Assets, December 31, 2005	\$51,893

Village of Harveysburg, Warren County, Ohio  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2005

Unaudited

Program receipts represent 63.49 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building and zoning permits and State and federal grants for street construction and policing services.

General receipts represent 36.51 percent of the Village's total receipts, and of this amount, over 56.82 percent are property and other local taxes. State and federal grants and entitlements and interest make up the balance of the Village's general receipts (43.18 percent).

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of the council, administrator, clerk-treasurer, mayor's court clerk, magistrate, solicitor, and police department, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police protection; Basic Utility Services are costs associated with refuse removal; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, which accounts for 35.37 percent of all governmental disbursements. General government and transportation also represents a significant cost, about 23.85 and 22.35 percent, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005
	2005	2005
Security of Persons and Property	104,822	87,729
Public Health Services	90	90
Economic Development	235	(4,035)
Basic Utilities	30,665	(9,092)
Transportation	66,236	(2,894)
General Government	70,684	13,976
Capital Outlay	3,060	3,060
Debt Service	8,000	8,000
Other Financing Uses	12,527	12,527
<b>Total Expenses</b>	<b>\$296,319</b>	<b>\$109,361</b>

Village of Harveysburg, Warren County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005

---

Unaudited

**The Village's Funds**

Total governmental funds had receipts of \$294,447 and disbursements of \$296,319. The greatest change within governmental funds occurred within Street Levy Fund, which began collections in 2005. The General Fund's balance decreased \$22,212 in part as the result of the transfer of monies to the Capital Improvements Capital Projects Fund and other financing uses related to an IRS deduction that the Village intends to recover.

Excluding the IRS item, General Fund receipts were less than disbursements by \$9,001 indicating that the General Fund is in a deficit spending situation. This was due to the Village having to pay a larger portion of patrolmen's salaries during 2005, as part of the Federal Grant agreement. Upon the discontinuation of the Federal Grant, in February 2006, the Village will no longer be paying the salaries of these patrolmen, thus allowing the General Fund's expenditures to decrease.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget to reflect changing circumstances. Budgeted receipts did not change from the beginning estimated amounts.

Final disbursements (excluding transfers) were budgeted at \$217,709 while actual disbursements were \$178,629. Final budgeted appropriations were increased by \$21,014 from the original budget. In spite of this increase in appropriations, actual spending was \$39,080 less than appropriations. The final result, including other financing sources and uses, was a decrease in the budget fund balance of \$23,501 for 2005.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure, and therefore does not report any on their financial statements.

**Debt**

At December 31, 2005, the Village's outstanding debt including a loan from Warren County for \$15,522 for County's assumption of the Village's water operations and two capital leases for police cruisers totaling \$14,497. For further information regarding the Village's debt, refer to Note 8 to the basic financial statements.

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have no industry to support the tax base.

Village of Harveysburg, Warren County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005

---

Unaudited

In 2001, the State of Ohio placed the Village in "Fiscal Emergency", which requires fiscal monitoring by the Harveysburg Village Financial Planning and Oversight Commission. Due to the progress that the Village has made since being placed in Fiscal Emergency, it is anticipated that the Oversight Commission will request the Auditor of State's Office to perform an analysis of the Village's finances satisfy the requirements to remove the Village from Fiscal Emergency.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Carol Nelson, Clerk-Treasurer, Village of Harveysburg, 79 W. Main St., P. O. Box 189, Harveysburg, Ohio 45032.

**Village of Harveysburg**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2005*

---

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$51,893</u>
<i>Total Assets</i>	<u><u>\$51,893</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	(\$13,500)
Other Purposes	52,957
Unrestricted	<u>12,436</u>
<i>Total Net Assets</i>	<u><u>\$51,893</u></u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Statement of Activities - Modified Cash Basis*  
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Security of Persons and Property	\$104,822	\$3,958	\$13,135		(\$87,729)
Public Health Services	90				(90)
Community Environment	235	4,270			4,035
Basic Utility Services	30,665	39,757			9,092
Transportation	66,236		21,062	\$48,068	2,894
General Government	70,684	56,708			(13,976)
Capital Outlay	3,060				(3,060)
Debt Service	8,000				(8,000)
Other Financing Uses	12,527				(12,527)
<i>Total Governmental Activities</i>	<u>\$296,319</u>	<u>\$104,693</u>	<u>\$34,197</u>	<u>\$48,068</u>	<u>(109,361)</u>
<b>General Receipts</b>					
Taxes:					
					57,484
					3,593
					45,984
					428
<i>Total General Receipts</i>					107,489
Change in Net Assets					(1,872)
Net Assets Beginning of Year					53,765
Net Assets End of Year					<u>\$51,893</u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2005

	General	Street Levy	Mayor's Court Computer	Water	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$12,436	\$14,676	\$6,890	\$15,880	\$2,011	\$51,893
<i>Total Assets</i>	<u>\$12,436</u>	<u>\$14,676</u>	<u>\$6,890</u>	<u>\$15,880</u>	<u>\$2,011</u>	<u>\$51,893</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$1,289		\$1,021			\$2,310
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	11,147					\$11,147
Special Revenue Funds		\$14,676	5,869	\$15,880	\$15,511	\$51,936
Capital Projects Funds					(13,500)	(\$13,500)
<i>Total Fund Balances</i>	<u>\$12,436</u>	<u>\$14,676</u>	<u>\$6,890</u>	<u>\$15,880</u>	<u>\$2,011</u>	<u>\$51,893</u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2005*

---

---

Total Governmental Fund Balances	<u><u>\$51,893</u></u>
----------------------------------	------------------------

Net Assets of Governmental Activities	<u><u>\$51,893</u></u>
---------------------------------------	------------------------

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2005

	General	Street Levy	State Grants	Mayor's Court Computer	Water	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$34,184	\$17,364				\$9,529	\$61,077
Intergovernmental	11,050	1,359	\$48,068			39,780	100,257
Charges for Services	46,257						46,257
Fines, Licenses and Permits	48,428			\$2,871		7,137	58,436
Earnings on Investments	428						428
Miscellaneous	27,992						27,992
<i>Total Receipts</i>	<u>168,339</u>	<u>18,723</u>	<u>48,068</u>	<u>2,871</u>	<u>\$0</u>	<u>56,446</u>	<u>294,447</u>
<b>Disbursements</b>							
Current:							
Security of Persons and Property	71,668					33,154	104,822
Public Health Services	90						90
Community Environment	235						235
Basic Utility Services	30,665						30,665
Transportation	4,888	4,033	48,068			9,247	66,236
General Government	69,794	14		876			70,684
Capital Outlay						3,060	3,060
Debt Service:							
Principal Retirement					8,000		8,000
<i>Total Disbursements</i>	<u>177,340</u>	<u>4,047</u>	<u>48,068</u>	<u>876</u>	<u>8,000</u>	<u>45,461</u>	<u>283,792</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,001)</u>	<u>14,676</u>	<u>0</u>	<u>1,995</u>	<u>(8,000)</u>	<u>10,985</u>	<u>10,655</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In						6,500	6,500
Transfers Out	(6,500)						(6,500)
Advances In	13,816					8,000	21,816
Advances Out	(8,000)					(13,816)	(21,816)
Other Financing Uses	(12,527)						(12,527)
<i>Total Other Financing Sources (Uses)</i>	<u>(13,211)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>684</u>	<u>(12,527)</u>
<i>Net Change in Fund Balances</i>	<u>(22,212)</u>	<u>14,676</u>	<u>0</u>	<u>1,995</u>	<u>(8,000)</u>	<u>11,669</u>	<u>(1,872)</u>
<i>Fund Balances Beginning of Year</i>	<u>34,648</u>			<u>4,895</u>	<u>23,880</u>	<u>(9,658)</u>	<u>53,765</u>
<i>Fund Balances End of Year</i>	<u>\$12,436</u>	<u>\$14,676</u>	<u>\$0</u>	<u>\$6,890</u>	<u>\$15,880</u>	<u>\$2,011</u>	<u>\$51,893</u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended December 31, 2005*

---

---

Net Change in Fund Balances - Total Governmental Funds (\$1,872)

Change in Net Assets of Governmental Activities (\$1,872)

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$33,000	\$33,000	\$34,184	\$1,184
Intergovernmental	11,020	11,020	11,050	30
Charges for Services	72,000	72,000	46,257	(25,743)
Fines, Licenses and Permits	70,000	70,000	48,428	(21,572)
Earnings on Investments	400	400	428	28
Miscellaneous	8,000	8,000	27,992	19,992
<i>Total Receipts</i>	<u>194,420</u>	<u>194,420</u>	<u>168,339</u>	<u>(26,081)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	74,300	77,893	72,730	5,163
Public Health Services	200	200	90	110
Community Environment	2,500	2,500	235	2,265
Basic Utility Services	32,000	32,000	30,665	1,335
Transportation	4,500	5,525	4,888	637
General Government	83,195	99,591	70,021	29,570
<i>Total Disbursements</i>	<u>196,695</u>	<u>217,709</u>	<u>178,629</u>	<u>39,080</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,275)</u>	<u>(23,289)</u>	<u>(10,290)</u>	<u>12,999</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out	(20,000)	(11,894)	(6,500)	5,394
Advances In	0	0	13,816	13,816
Advances Out	0	0	(8,000)	(8,000)
Other Financing Uses	0	0	(12,527)	(12,527)
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000)</u>	<u>(11,894)</u>	<u>(13,211)</u>	<u>(1,317)</u>
<i>Net Change in Fund Balance</i>	(22,275)	(35,183)	(23,501)	11,682
<i>Fund Balance Beginning of Year</i>	<u>34,648</u>	<u>34,648</u>	<u>34,648</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$12,373</u>	<u>(\$535)</u>	<u>\$11,147</u>	<u>\$11,682</u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Street Levy*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$19,200	\$19,200	\$17,364	(\$1,836)
Intergovernmental	1,000	1,000	1,359	359
<i>Total receipts</i>	20,200	20,200	18,723	(1,477)
<b>Disbursements</b>				
Current:				
Transportation	8,727	7,727	4,033	3,694
General Government	1,000	1,000	14	986
<i>Total Disbursements</i>	9,727	8,727	4,047	4,680
<i>Excess of Receipts Over (Under) Disbursements</i>	10,473	11,473	14,676	3,203
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$10,473	\$11,473	\$14,676	\$3,203

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 State Grant  
 For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional) Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$48,068	\$48,068	\$48,068	\$0
<i>Total Receipts</i>	48,068	48,068	48,068	0
<b>Disbursements</b>				
Current:				
Transportation	48,068	48,068	48,068	0
<i>Total Disbursements</i>	48,068	48,068	48,068	0
<i>Excess of Receipts Over (Under) Disbursements</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$0	\$0

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Mayor's Court Computer  
 For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Fines, Licenses and Permits	\$3,000	\$3,000	\$2,871	(\$129)
<i>Total Receipts</i>	3,000	3,000	2,871	(129)
<b>Disbursements</b>				
Current:				
General Government	2,800	2,800	1,897	903
<i>Total Disbursements</i>	2,800	2,800	1,897	903
<i>Excess of Receipts Over (Under) Disbursements</i>	200	200	974	774
<i>Fund Balance Beginning of Year</i>	4,895	4,895	4,895	0
<i>Fund Balance End of Year</i>	\$5,095	\$5,095	\$5,869	\$774

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Water  
 For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Disbursements</b>				
Debt Service:				
Principal Retirement	\$8,000	\$8,000	\$8,000	\$0
<i>Total Disbursements</i>	8,000	8,000	8,000	0
<i>Excess of Receipts Over (Under) Disbursements</i>	(8,000)	(8,000)	(8,000)	0
<i>Fund Balance Beginning of Year</i>	23,880	23,880	23,880	0
<i>Fund Balance End of Year</i>	\$15,880	\$15,880	\$15,880	\$0

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Fund*  
*December 31, 2005*

---

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,948</u>
<i>Total Assets</i>	<u><u>\$1,948</u></u>
<b>Net Assets</b>	
Unrestricted	<u>1,948</u>
<i>Total Net Assets</i>	<u><u>\$1,948</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF HARVEYSBURG**  
**WARREN COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2005**

**Note 1 – Reporting Entity**

The Village of Harveysburg, Warren County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term, and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and police services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

The Village participates in one public entity risk pool, the Public Entities Pool of Ohio (PEP). This organization is presented in Note 12 of the basic financial statements.

On September 20, 2001, the Village was placed in "Fiscal Emergency" status by the Auditor of State of Ohio because the Village had deficit funds of \$83,630 and a treasury deficiency of \$73,397. Fiscal emergency is the most severe declaration regarding a local government's financial solvency. This situation prompted the creation of a commission to oversee the finances of the Village. Due to the current status of the Village's finances, along with a five year forecast of projected receipts and disbursements that will be compiled shortly after year-end, it is anticipated that the commission will request that the Auditor of State of Ohio do another financial analysis which will result in terminating the Village from Fiscal Emergency.

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**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies.

### **A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

#### **Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, the Village has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a modified cash basis or draws from the Village's general receipts.

#### **Fund Financial Statements**

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

### **B. Fund Accounting**

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village consist of one category: governmental.

## Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

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

Street Levy – To account for levy monies used for cost incurred for the maintenance or construction of various street projects.

State Grant Fund – To account for grant monies used for the reconstruction of Maple Street, including sidewalks, curbs and gutters.

Mayor's Court Computer Fund –To account for court cost collected for the acquisition and maintenance of computer equipment used in the operations of the Mayor's Court.

Water Fund – To account for the monies due to the Warren County Water Department. This is to satisfy the agreement with Warren County once they took over the Village's water operations.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

## C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

## D. Budgetary Process

All funds of the Village are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original

appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

#### E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Village had no investments.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$428.

#### F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

#### G. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

#### H. Accumulated Leave

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

#### I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

## J. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

## K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street maintenance and repairs, police protection services and amounts due to Warren County.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Net Assets reports \$37,779 of restricted net assets, of which \$29,590 is restricted by enabling legislation.

## L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

## M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

## **Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

## **Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Street Levy, State Grant, Mayor's Court Computer and Water Special Revenue Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,289 for the General Fund and \$1,021 in the Mayor's Court Computer Special Revenue Fund.

## **Note 5 – Compliance**

For the year ended December 31, 2005, 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 \$13,500 in the Capital Projects Fund contrary to Ohio Revised Code, Section 5705.10
- The Village's appropriations exceeded estimated resources available by \$535 in the General Fund contrary to Ohio Revised Code, Section 5705.39.
- Mayor's Court receipts were not deposited in a timely matter to Ohio Revised Code Sections 9.38.

## **Note 6 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. The Village had no investments at December 31, 2005.

#### Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

#### **Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$6.07 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$7,047,720
Agriculture	296,900
Commercial/Industrial/Mineral	946,450
Public Utility Personal Property	89,660
Tangible Personal Property	185,668
Total Assessed Value	<u>\$8,566,398</u>

**Note 8 – Debt**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Warren County Water Debt	\$15,522	0.00%
Police Cruiser Lease 1	3,021	9.00%
Police Cruiser Lease 2	11,476	7.45%
Total	<u>\$30,019</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, 2005, the Village had paid \$52,846 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:

Year ending December 31:	Warren County	Police Cruiser Lease 1	Police Cruiser Lease 2
2006	\$8,000	\$3,102	\$5,556
2007	7,522	0	5,556
2008	0	0	1,389
Total	<u>\$15,522</u>	<u>\$3,102</u>	<u>\$12,501</u>

### **Note 9 – Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 2005, the Village joined the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PWP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. General, Automobile, Police Professional and Public Officials' Liability Coverage (Casualty Coverage) – PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$2,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$2,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage – PEP retains property risks, including automobile physical damage, up to \$250,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000, up to \$2,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective City/Village.

The Village has elected to pay for coverage with the following limits:

Legal Liability – Third Party Claims Coverage (\$0 deductible) – per occurrence	\$2,000,000
Automobile Liability Coverage (\$0 deductible) – per occurrence	2,000,000
Law Enforcement Operations Coverage (\$2,000 deductible) – per occurrence	2,000,000
Wrongful Acts Coverage (\$1,000 deductible) – per occurrence	2,000,000
Property Coverage – Dishonesty Coverage (\$500 deductible)	10,000
Boiler & Machinery Coverage - \$477,500 Limit (\$500 deductible) \$100,000 extra expense	

### **Note 10 – Defined Benefit Pension Plan**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions

are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS, provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005 and 2004 were \$7,666, and \$9,980, respectively. The full amount has been contributed for 2005 and 2004.

#### **Note 11 – Post-employment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 that were used to fund postemployment benefits were \$3,211. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

### **Note 12 – Inter-fund Transfers**

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During 2005, the General Fund transferred \$6,500 to the Capital Improvements Capital Projects Fund to assist in the elimination of that fund's deficit balance.

### **Note 13 – Shared Risk Pool**

The Public Entities Pool of Ohio (PEP) is a statutory entity created pursuant to section 2744.081, of the Ohio Revised Code, by the execution of an intergovernmental contract ("Participation Agreements"). 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 Accordia of Ohio administers PEP. PEP is a separate legal entity. PEP subcontracts certain self-insurance, administrative and claims functions to a "Pool Operator," currently Pottering Insurance. 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 Trustees 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. Financial information may be obtained by writing to the Public Entities Pool of Ohio, 229 Riverside Drive, Dayton, Ohio 45402.

### **Note 14 – Contingent Liabilities and Other**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

In addition, during 2005, the Village was notified of prior errors made in filing Internal Revenue Form 941 whereby the IRS interpreted that the employees of the village were subject to social security withholdings. As a result, the IRS unilaterally deducted \$12,527 from the Village's operating account during 2005. This deduction is reflected as other financing uses in the financial statements of the General Fund and excluded from the cash balances maintained by the Village. The Village is currently working with the IRS to correct the error and expects to be refunded the full amount.

# 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***

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, 2005, and have issued our report thereon dated August 31, 2006. 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 2005-005 through 2005-006.

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 2005-001 through 2005-004.

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, LLC*

Cincinnati, Ohio  
August 31, 2006

**VILLAGE OF HARVEYSBURG  
WARREN COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2005**

**FINDING NUMBER 2005-001**

**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 23 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. The noted exceptions occurred prior to implementing the UAN system during 2005. Since then the Village believes that all items have been certified.

**FINDING NUMBER 2005-002**

**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, 2005, the Village had a deficit cash balance of \$13,500 in the Capital Project 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 balance is a result of prior year activities and efforts are being made annually to bring the fund cash balances into compliance by transferring funds as they become available.

**FINDING NUMBER 2005-003**

**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 2005:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$229,068	\$229,603	(\$535)

**Village's Response**

The Village concurs with the citation.

**FINDING NUMBER 2005-004**

**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 2005-005**

**Reportable Condition**

During 2005, 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 2005-006**

**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 approve 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 YEAR FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation:
2004-001	Noncompliance Citation – 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 2005-001.
2004-002	Noncompliance Citation – Use of funds for proper purpose	No	Not Corrected – A fund still has a deficit cash balances. Re-issued as finding 2005-002.
2004-003	Noncompliance Citation – Appropriations exceeded estimated resources	Yes	Instances were not noted for the current fiscal year.
2004-004	Noncompliance Citation – Expenditures exceeded appropriations	No	Instances of non-compliance were noted during the audit period. Re-issued as finding 2005-003
2004-005	Noncompliance Citation – 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 2005-004
2004-006	Reportable Condition – 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 2005-005
2004-0078	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 2005-006.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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**