

Village of Harveysburg
Warren County
Regular Audit
For the Years Ended December 31, 2013 and 2012



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Harveysburg, Warren County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2013. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Noncompliance - Finding for Recovery Repaid Under Audit

In 2013, Mr. William Kaufman was employed as the Village Magistrate for the Village of Harveysburg. Employees of the Village are paid on a monthly basis and during 2013 he received 15 pays. Mr. Kaufman was paid \$4,125 during the year, while the Council approved pay rate for Magistrate was \$3,300.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Village Magistrate, William Kaufman, in the amount of \$825, and in favor of the Village of Harveysburg's General fund.

Repayment was made to the Village on December 3, 2014 by check which was deposited into the Village bank account.

Noncompliance - Finding for Recovery Repaid Under Audit

In 2013, Mr. Jeff Stueve was employed as the Village Solicitor for the first three months of the year. Employees of the Village of Harveysburg are paid on a monthly basis and during 2013 he received 4 pays. Mr. Stueve was paid \$1,600 during the year (\$400 per month), while the Council approved pay rate for Solicitor would be \$1,200 (\$400 per month X 3 Months).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the former Village Solicitor, Jeffery Stueve, in the amount of \$400, and in favor of the Village of Harveysburg's General fund.

Repayment was made to the Village on November 24, 2014 by check which was deposited into the Village bank account.

Noncompliance - Finding for Recovery Repaid Under Audit

In 2013, Mr. Richard Verga was active as the Mayor of the Village of Harveysburg. Employees of the Village are paid on a monthly basis and during 2013 he received 13 pays. Mr. Verga was paid \$1,083 during the year, while the Council approved pay rate for Mayor was be \$1,000.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Mayor of Harveysburg, Richard Verga, in the amount of \$83, and in favor of the Village of Harveysburg's General fund.

Repayment was made to the Village on December 03, 2014 by check which was deposited into the Village bank account.

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.



Dave Yost
Auditor of State

March 11, 2015

Village of Harveysburg
Warren County, Ohio
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For the Years Ended December 31, 2013 and 2012

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Harveysburg, Warren County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Harveysburg, Warren County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

September 4, 2014

**Village of Harveysburg
Warren County, Ohio**

*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2013*

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$37,922	\$44,482	\$82,404
Intergovernmental	10,946	42,807	53,753
Charges for Services	60,299	0	60,299
Fines, Licenses and Permits	71,493	4,136	75,629
Earnings on Investments	118	122	240
Miscellaneous	36,229	3,462	39,691
Total Cash Receipts	217,007	95,009	312,016
Cash Disbursements:			
Current:			
Security of Persons and Property	0	64,118	64,118
Public Health Services	511	0	511
Leisure Time Activities	0	3,653	3,653
Community Environment	1,359	0	1,359
Basic Utility Services	33,419	0	33,419
Transportation	0	48,161	48,161
General Government	100,737	2,434	103,171
Total Cash Disbursements	136,026	118,366	254,392
Total Receipts Over (Under) Disbursements	80,981	(23,357)	57,624
Other Financing Receipts (Disbursements):			
Transfers In	0	49,000	49,000
Transfers Out	(49,000)	0	(49,000)
Total Other Financing Receipts/(Disbursements)	(49,000)	49,000	0
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	31,981	25,643	57,624
Fund Cash Balances, January 1	92,786	122,037	214,823
Fund Cash Balances, December 31			
Restricted for:			
Court Clerk Computerization	0	10,742	10,742
Mayor's Court Computerization	0	6,284	6,284
Police Operations	0	11,409	11,409
Road Maintenance and Improvements	0	119,245	119,245
Unassigned	124,767	0	124,767
Fund Cash Balances, December 31	\$124,767	\$147,680	\$272,447

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

Village of Harveysburg
Warren County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Fiduciary Funds
For the Year Ended December 31, 2013

	Fiduciary Fund Types
	Agency Funds
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$115,980
Total Non-Operating Cash Receipts	115,980
Non-Operating Cash Disbursements:	
Other Non-Operating Disbursements	130,241
Total Non-Operating Cash Disbursements	130,241
Net Receipts Under Disbursements	(14,261)
Fund Cash Balances, January 1	19,969
Fund Cash Balances, December 31	\$5,708

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

**Village of Harveysburg
Warren County, Ohio**

*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2012*

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$40,476	\$47,328	\$87,804
Intergovernmental	14,552	35,010	49,562
Charges for Services	60,055	0	60,055
Fines, Licenses and Permits	80,750	4,760	85,510
Earnings on Investments	300	0	300
Miscellaneous	36,052	4,523	40,575
Total Cash Receipts	232,185	91,621	323,806
Cash Disbursements:			
Current:			
Security of Persons and Property	0	81,899	81,899
Public Health Services	344	0	344
Community Environment	2,310	0	2,310
Basic Utility Services	49,162	0	49,162
Transportation	0	58,288	58,288
General Government	106,669	4,054	110,723
Total Cash Disbursements	158,485	144,241	302,726
Total Receipts Over (Under) Disbursements	73,700	(52,620)	21,080
Other Financing Receipts (Disbursements):			
Transfers In	0	60,000	60,000
Transfers Out	(60,000)	0	(60,000)
Sale of a Fixed Asset	4,856	0	4,856
Total Other Financing Receipts (Disbursements)	(55,144)	60,000	4,856
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	18,556	7,380	25,936
Fund Cash Balances, January 1	74,230	114,657	188,887
Fund Cash Balances, December 31			
Restricted for:			
Court Clerk Computerization	0	8,401	8,401
Mayor's Court Computerization	0	4,902	4,902
Police Operations	0	6,300	6,300
Road Maintenance and Improvements	0	102,434	102,434
Committed	12,000	0	12,000
Assigned	1,809	0	1,809
Unassigned	78,977	0	78,977
Fund Cash Balances, December 31	\$92,786	\$122,037	\$214,823

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

Village of Harveysburg
Warren County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Fiduciary Funds
For the Year Ended December 31, 2012

	Fiduciary Fund Types
	Agency Funds
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$104,582
Total Non-Operating Cash Receipts	104,582
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	94,264
Total Non-Operating Cash Disbursements	94,264
Net Receipts Over Disbursements	10,318
Fund Cash Balances, January 1	9,651
Fund Cash Balances, December 31	\$19,969

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

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

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

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

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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village had no investments during 2013 or 2012.

Fund Accounting

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

General Fund

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

Special Revenue Funds

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

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

Fiduciary Funds

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

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

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

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of the 2013 and 2012 budgetary activity appears in Note 3.

Property, Plant, and Equipment

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

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balances

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

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

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

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

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

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

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

Note 2 – Equity in Pooled Cash and Investments

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

	2013	2012
Demand Deposits	\$278,155	\$234,792

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

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 3 – Budgetary Activity

Budgetary activity, except for agency funds, for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$210,990	\$217,007	\$6,017
Special Revenue	121,900	144,009	22,109
Total	\$332,890	\$361,016	\$28,126

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$185,156	(\$185,156)
Special Revenue	0	118,366	(118,366)
Total	\$0	\$303,522	(\$303,522)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$237,041	\$237,041
Special Revenue	0	151,621	151,621
Total	\$0	\$388,662	\$388,662

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$232,294	(\$232,294)
Special Revenue	0	147,464	(147,464)
Total	\$0	\$379,758	(\$379,758)

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 – Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, with the Village contributing an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

Note 6 – Risk Management

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013:

	2012	2013
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Position	\$20,181,216	\$21,651,689

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$7,000.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 6 – Risk Management (Continued)

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

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2013</u>
\$7,138	\$9,591

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

Note 7 – Interfund Activity

During the year ended December 31, 2013, the Village had the following interfund activity:

2013	Transfer In	Transfer Out
General Fund	\$0	\$49,000
Police Levy Fund	49,000	0
Total	\$49,000	\$49,000
2012		
	Transfer In	Transfer Out
General Fund	\$0	\$60,000
Police Levy Fund	60,000	0
Total	\$60,000	\$60,000

Transfers were made from the General Fund to various Special Revenue Funds to subsidize operations.

Note 8 – Shared Risk Pool

The Public Entities Pool of Ohio (PEP) is a statutory entity created pursuant to Ohio Revised Code Section 2744.081 by the execution of an intergovernmental contract (“Participation Agreement”). PEP enables the subscribing subdivisions to pool risk for property, liability and public official liability. PEP has no employees, rather it is administrated through contracts with various professionals. Pursuant to a contract, the firm American Risk Pooling Consultants, Inc. administers PEP. PEP is a separate legal entity. PEP has executed contracts with various professionals for actuary services, as independent auditors, as loss control representatives, as litigation management, and defense law firms, as counsel to PEP and others as required. PEP is governed by a seven-member Board of Directors elected by the members of PEP. The Village makes an annual contribution to PEP for the coverage it is provided, based on rates established by PEP. Additional information may be obtained by contacting Mr. Michael Sutton, Pool Coordinator, American Risk Pooling Consulting, Inc., or visiting PEP’s website at www.pepohio.org.

Village of Harveysburg
Warren County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 9 – Compliance

- The Village did not always properly certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D).
- The Village had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).
- The Village did not properly maintain accounting records to substantiate certain payroll disbursements or compliance with applicable State and Federal regulations, contrary to Ohio Revised Code Section 733.28.
- The Village overpaid a number of employees contrary to Ohio Revised Code Section 117.28.
- The Village did not properly authorize transfers contrary to Ohio Revised Code Section 5705.14 and 5705.16.
- The Village did not properly adopt the appropriation measures in accordance with Ohio Revised Code Section 5705.38(A).

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

Independent Auditor's Report

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Village of Harveysburg, Warren County (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 4, 2014, wherein we noted the Village followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-3, 2013-4, and 2013-6 to be material weaknesses.

Village of Harveysburg
Warren County

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

Page 2

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-2 and 2013-7 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-1, 2013-5, 2013-6, 2013-8, and 2013-9.

Village's Responses to Findings

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

Purpose of this Report

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



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

September 4, 2014

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

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

FINDING NUMBER 2013-1

Noncompliance – Proper Encumbrance of Funds

Ohio Revised Code Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – The fiscal officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds for purchase commitments for several expenditures tested for 2013 and 2012. Failure to properly certify the availability of funds can result in overspending funds, negative cash fund balances, or unauthorized or improper disbursements. The Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

Client Response:

This will be done in the future.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

FINDING NUMBER 2013-2

Significant Deficiency – Bank Reconciliations

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

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

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

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

Client Response:

The Finance Committee will be checking over all bank reconciliations and will sign off on them for the Court and Village accounts.

FINDING NUMBER 2013-3

Material Weakness – Misstatements and Misclassifications in the Financial Statements

A monitoring system by the Village should be in place to prevent or detect misstatements for the accurate presentation of the Village's financial statements. The Village had various errors reported within its financial statements. Some of these errors included recording receipts in the incorrect funds, not recording checks that had cleared the bank, recording checks for incorrect amounts, and other misclassifications of line items. All identified items were corrected in the audited financial statements to ensure they were not materially misstated. Failure to properly record and monitor financial transactions has resulted in misclassifications and other errors in the financial statements. The Village should implement additional operating and monitoring procedures to ensure transactions are properly recorded and that errors in cash balances are identified and properly and timely addressed.

Client Response:

This will be taken care of.

FINDING NUMBER 2013-4

Material Weakness – Budgetary Information Within UAN

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

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

FINDING NUMBER 2013-4 (Continued)

Material Weakness – Budgetary Information Within UAN (Continued)

Client Response:

This is now being done.

FINDING NUMBER 2013-5

Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations in all funds due to not submitting the appropriations to the County for approval. Failure to monitor budgets subjects the Village to the risk of improper spending or overspending. The Village should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized/appropriated amounts. Also, the Village should submit the appropriations to the County for approval as required by Ohio Revised Code.

Client Response:

This is now being done.

FINDING NUMBER 2013-6

Noncompliance/Material Weakness – Payroll Items

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

In 2013 the Fiscal Officer made additional payments to three employees due to confusion as to whether the previous fiscal officer had paid these individuals. Also, there were several instances where supporting documentation was not available for testing payroll disbursements, such as W-2s and the 2012 Workers Comp Payroll Report. Additionally, the leave payout to the former fiscal officer could not be supported as policies and leave records of the Village were not documented properly. This payout was not properly reported on a W-2 as wages earned. Failure to report accurate payroll figures could result in an over or underpayment of employees, taxes and/or workers compensation premiums.

The Village should ensure that the following procedures are implemented:

- The Village should establish procedures to ensure payroll expenditures are properly disbursed and recorded.
- The Village should ensure that adequate supporting documentation is maintained for all disbursements.
- The Village should properly document pay rates, pay schedules and leave policies.
- The Village should ensure all wages paid to employees are recorded in the payroll system to ensure proper reporting on Forms W-2.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

FINDING NUMBER 2013-6 (Continued)

Noncompliance/Material Weakness– Payroll Items (Continued)

Client Response:

Time cards are in place for all but salaried payroll.

FINDING NUMBER 2013-7

Significant Deficiency– Mayor’s Court Monthly Reports

Accurate reporting of Mayor’s Court Activities to the Mayor’s Court receipts are a basic and essential internal control component for sound fiscal management. Village officials and the State of Ohio rely on accurate payment of fines and fees. The Mayor’s Court monthly reports were not properly reported for several months during the audit period. Fines and fees amounts were carried over from the prior month to the next reporting period and did not always reflect the actual activity of Mayor’s Court. Lack of preparing proper reports can result in errors and/or irregularities going undetected for a long period of time and inaccurate remittances to outside agencies. The Village should implement additional monitoring procedures to ensure that the Mayor’s Court monthly reports are reconciled to the collections and that disbursements are properly remitted to outside agencies and the Village, as appropriate.

Client Response:

This will be taken care of.

FINDING NUMBER 2013-8

Noncompliance – Transfer Approval

Ohio Revised Code Sections 5705.14 and 5705.16 state that except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution passed by a simple majority is required. A simple majority constitutes a quorum of greater than 50% of the members.) During 2012 and 2013, transfers were posted to the accounting records that were not approved by Council. Furthermore, there was no documentation to substantiate why the transfers were made. The Village should ensure that transfers are properly authorized and appropriate substantiation is maintained.

Client Response:

This will be done in the future.

Village of Harveysburg
Warren County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

FINDING NUMBER 2013-9

Noncompliance – Adoption of Appropriations

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. The Village did not adopt its annual appropriations in the minutes for 2012 until March 29, 2012 and did not adopt the 2013 appropriation measure at all. There was only record of adopting temporary appropriations for 2013, which did not occur until February 11, 2013. We also noted that appropriations were not filed with Warren County for either year. The Village should implement the appropriate procedures to ensure that appropriations are properly adopted, and filed with the County.

Client Response:

This will be done in the future.

Village of Harveysburg
Warren County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-1	Noncompliance – Proper Encumbrance of Funds	No	Reissued as Finding 2013-1
2011-2	Significant Deficiency – Bank Reconciliations	No	Reissued as Finding 2013-2
2011-3	Material Weakness – Misstatements and Misclassifications in the Financial Statements	No	Reissued as Finding 2013-3
2011-4	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2013-4
2011-5	Noncompliance – Expenditures in Excess of Appropriations	No	Reissued as Finding 2013-5
2011-6	Noncompliance – Minute Record	Yes	
2011-7	Noncompliance/Material Weakness – Payroll Items	No	Partial - Reissued as Finding 2013-6
2011-8	Material Weakness – Council Monitoring of Financial Activity	Yes	
2011-9	Significant Deficiency – Jeep Jam Festival	Yes	
2011-10	Noncompliance – Prevailing Wages	Yes	
2011-11	Noncompliance – Advertising for Bids for Contracts and Authorization of Contracts	Yes	
2011-12	Noncompliance – Unresolved Findings for Recovery	Yes	
2011-13	Noncompliance – Appropriations in Excess of Estimated Resources	Yes	

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Dave Yost • Auditor of State

VILLAGE OF HARVEYSBURG

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2015**