



Mary Taylor, CPA  
Auditor of State



**VILLAGE OF HARVEYSBURG  
WARREN COUNTY**

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WARREN COUNTY

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

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 years ended December 31, 2007 and 2006 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.

The Auditor of State served during the years ended December 31, 2006 and 2005 as the Village's financial supervisor under Ohio Revised Code § 118.05 (G). Government Auditing Standards considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Revised Code §118.04. However, Government Auditing Standards permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments

Except as described in the following paragraph, 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

The Village did not provide sufficient documentation to support the Police Department "Other Financing Sources and Uses" recorded in the General Fund. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts and disbursements recorded as "Other Financing Sources" – Police Department and "Other Financing Uses" – Police Department in the General Fund. The amounts recorded on the financial statements Other Financing Uses – Police Department accounts for 10% of 2006 General Fund revenue and other financing sources. Other Financing Uses – Police Department accounts for 11% of 2006 General Fund expenditures and other financing uses. We were unable to determine if the amounts presented in the financial statements are either complete and/or accurate.

In our opinion, except for the effects, if any, resulting from adjustments we may have proposed for the year ended December 31, 2006 if we had sufficient evidence to examine other General Fund financing sources and uses, the financial statements referred to above for the years ended December 31, 2007 and 2006 present fairly, in all material respects, the cash financial position of the General Fund and the changes in its cash position for the years then ended in conformity with the basis of accounting Note 2 describes.

Also, in our opinion the financial statements referred to above, present fairly, in all material respects, the respective cash position of the governmental activities, and each major fund except the General Fund and the aggregate remaining fund information of the Village of Harveysburg, Warren County, Ohio, as of December 31, 2007 and 2006 and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and Major Special Revenue Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report 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.



**Mary Taylor, CPA**  
Auditor of State

April 27, 2009

Village of Harveysburg, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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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 years ended December 31, 2007 and 2006, within the limitations of the Village's 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 2007 are as follows:

Net assets of governmental activities increased \$43,158, or 39.02 percent.

The Village's general receipts are primarily property taxes. General receipts represent 52.72 percent of the total cash received for governmental activities during the year.

The Village had \$213,428 in disbursements: only \$121,304 of these disbursements was offset by program specific charges for services, sales, grants and contributions.

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$58,706, or 113.13 percent, a significant change from the prior year.

The Village's general receipts are primarily property taxes. These receipts represent 45.46 percent of the total cash received for governmental activities during the year.

The Village had \$233,555 in disbursements: only \$159,023 of these disbursements was 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 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.

Village of Harveysburg, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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**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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Village as a Whole**

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

The statement of net assets and the statement of activities reflect how the Village did financially during 2007 and 2006, within the limitations of 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 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 nonfinancial 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



Village of Harveysburg, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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Governmental Funds - All of the Village's activities are reported in governmental funds except the Mayor's Court. 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 nonmajor 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, the Street Construction, Maintenance and Repair Special Revenue Fund and the Street Levy Special Revenue Fund. 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.

Fiduciary Funds – The Village has a Mayor's Court presented as a fiduciary fund.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>		Increase
	<u>2007</u>	<u>2006</u>	<u>(Decrease)</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$153,757	\$110,599	\$43,158
Total Assets	<u>\$153,757</u>	<u>\$110,599</u>	<u>\$43,158</u>
<b>Net Assets</b>			
Restricted for:			
Other Purposes	104,033	90,155	13,878
Unrestricted	<u>49,724</u>	<u>20,444</u>	<u>29,280</u>
Total Net Assets	<u>\$153,757</u>	<u>\$110,599</u>	<u>\$43,158</u>

As mentioned previously, total net assets of governmental activities increased \$43,158, or 39.02 percent during 2007 and 58,706 or 113.13 percent for 2006. 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, increased \$29,280 for 2007 and \$8,008 for 2006.

Cash and Cash Equivalents increased \$43,158 for 2007 and \$58,706 for 2006 due in large part to the Village's commitment to reduce expenditures, which in turn increases fund balances.

Table 2 shows the highlights of the Village's receipts and disbursements. These two main components are subtracted to yield the changes in net assets. Receipts are further divided into two major components: program receipts and general receipts. Program receipts are defined as restricted grants, contributions and

Village of Harveysburg, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

interest, and charges for services. General receipts include taxes and unrestricted grants and contributions.

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

	Governmental Activities 2007	2006	Increase (Decrease)
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$92,819	\$132,667	(\$39,848)
Operating Grants and Contributions	28,485	26,356	2,129
Total Program Receipts	<u>121,304</u>	<u>159,023</u>	<u>(37,719)</u>
General Receipts:			
Property and Other Local Taxes	74,811	68,761	6,050
Grants and Entitlements Not Restricted to Specific Programs	22,637	19,468	3,169
Interest	2,328	609	1,719
Contributions and Donations	35,506	43,690	(8,184)
Total General Receipts	<u>135,282</u>	<u>132,528</u>	<u>2,754</u>
Total Receipts	<u>256,586</u>	<u>291,551</u>	<u>(34,965)</u>
Disbursements:			
General Government	89,112	94,992	(5,880)
Security of Persons and Property:	52,876	67,925	(15,049)
Public Health Services	0	256	(256)
Economic Development	56	1,123	(1,067)
Basic Utilities	48,260	33,483	14,777
Transportation	20,346	14,135	6,211
Other	494	0	494
Police Department	2,284	21,641	(19,357)
Total Disbursements	<u>213,428</u>	<u>233,555</u>	<u>(20,127)</u>
Increase (Decrease) in Net Assets	43,158	57,996	(14,838)
Net Assets at Beginning of Year	<u>110,599</u>	<u>52,603</u>	<u>57,996</u>
Net Assets at End of Year	<u>\$153,757</u>	<u>\$110,599</u>	<u>\$43,158</u>

Program receipts represent 47.28 percent for 2007 and 54.54 for 2006 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 52.72 percent for 2007 and 45.46 for 2006 of the Village's total receipts, and of this amount, over 55.30 percent for 2007 and 51.88 percent for 2006 are property and other local taxes. State and federal grants and entitlements, interest and contributions and donations make up the balance of the Village's general receipts (44.70 percent for 2007 and 48.12 percent for 2006).

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.

Village of Harveysburg, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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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 Village's 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 general government, which accounts for 41.75 percent for 2007 and 40.67 percent for 2006 of all governmental disbursements. Security of persons and property and basic utility services also represents significant costs, about 24.78 and 22.61 percent for 2007 and 29.08 and 14.34 percent for 2006, 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 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
General Government	\$89,112	\$37,398	\$94,992	\$33,382
Security of Persons and Property	52,876	52,876	67,925	61,975
Public Health Services			256	256
Community Environment	56	(859)	1,123	(10,317)
Police Department	2,284	259	21,641	(37)
Basic Utilities	48,260	10,095	33,483	(1,056)
Transportation	20,346	(8,139)	14,135	(9,671)
Other	494	494	0	0
<b>Total Expenses</b>	<b>\$213,428</b>	<b>\$92,124</b>	<b>\$233,555</b>	<b>\$74,532</b>

**The Village's Funds**

Total governmental funds had receipts of \$242,794 and disbursements of \$210,650 for 2007. Total governmental funds had receipts of \$269,872 and disbursements of \$211,913 for 2006. The greatest change within governmental funds occurred within the Street Levy Fund, which began collections in 2005. The General Fund's balance increased \$29,280, with the General Fund operating receipts being greater than disbursements by \$4,562, for 2007. The increase in the General Fund balance was primarily due to an IRS refund. The General Fund's balance increased \$7,298, with the General Fund operating receipts being greater than disbursements by \$7,792, for 2006, not a significant change.

Village of Harveysburg, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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**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 2007, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts decreased from the beginning estimated amounts in the Fines, Licenses and Permits line item due to reduced traffic fine collections and building permits issued.

For 2007 the final disbursements were budgeted at \$0 while actual disbursements were \$178,093. The Village failed to file appropriations with the County Auditor in 2007. The final result, including other financing sources and uses, was an increase in fund balance of \$24,313 for 2007.

During 2006, the Village did not amend its General Fund budget.

For 2006 the final disbursements were budgeted at \$189,425 while actual disbursements were \$177,637. Actual spending was \$11,788 less than appropriations. The final result, including other financing sources and uses, was an increase in fund balance of \$6,517 for 2007.

**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, 2007, the Village has no outstanding debt.

**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.

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 made since being placed in Fiscal Emergency, the Oversight Commission has requested the Auditor of State's Office to perform an analysis of the Village's finances to satisfy the requirements to remove the Village from Fiscal Emergency. This resulted in the Village being released from fiscal emergency on June 19, 2007.

Village of Harveysburg, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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**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 the Clerk-Treasurer, Village of Harveysburg, 79 W. Main St., P. O. Box 189, Harveysburg, Ohio 45032.

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**Village of Harveysburg**  
**Warren County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2007*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	
Cash	<u>\$153,757</u>
<i>Total Assets</i>	<u><u>\$153,757</u></u>
<b>Net Assets</b>	
Other Purposes	\$104,033
Unrestricted	<u>49,724</u>
<i>Total Net Assets</i>	<u><u>\$153,757</u></u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
**Warren County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2007*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$89,112	\$51,714		(\$37,398)
Security of Persons and Property	52,876			(52,876)
Community Environment	56	915		859
Basic Utility Services	48,260	38,165		(10,095)
Transportation	20,346		\$28,485	8,139
Other	494			(494)
Other Financing Uses - Police Department	2,284	2,025		(259)
<i>Total Governmental Activities</i>	\$213,428	\$92,819	\$28,485	(92,124)
		<b>General Receipts</b>		
		Property Taxes Levied for:		
		General Purposes		74,811
		Grants and Entitlements not Restricted to Specific Programs		22,637
		Interest		2,328
		Miscellaneous		35,506
		<i>Total General Receipts</i>		135,282
		Change in Net Assets		43,158
		<i>Net Assets Beginning of Year</i>		110,599
		<i>Net Assets End of Year</i>		\$153,757

See accompanying notes to the basic financial statements



**Village of Harveysburg**  
**Warren County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2007*

	General	Street Construction Maintenance & Repair	Street Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents					
Cash	\$49,724	\$33,547	\$54,043	\$16,443	\$153,757
<i>Total Assets</i>	<u>49,724</u>	<u>33,547</u>	<u>54,043</u>	<u>16,443</u>	<u>153,757</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$4,957	\$151	\$30	\$68	\$5,206
Reserved for Permanent Fund Purpose					0
Reserved for Unclaimed Monies					0
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	44,767				44,767
Special Revenue Funds		33,396	54,013	16,375	103,784
Debt Service Fund					0
Capital Projects Funds					0
Permanent Fund					0
<i>Total Fund Balances</i>	<u>\$49,724</u>	<u>\$33,547</u>	<u>\$54,043</u>	<u>\$16,443</u>	<u>\$153,757</u>

See accompanying notes to the basic financial statements

**Village of Harveysburg  
Warren County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds*

*For the Year Ended December 31, 2007*

	General	Street Construction Maintenance & Repair	Street Levy	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$41,183		\$19,369	\$14,260	\$74,812
Charges for Services	62,409				62,409
Fines, Licenses and Permits	28,385				28,385
Intergovernmental	7,887	\$26,382	2,154	2,931	39,354
Interest	2,328				2,328
Miscellaneous	35,506				35,506
<i>Total Receipts</i>	<u>177,698</u>	<u>26,382</u>	<u>21,523</u>	<u>17,191</u>	<u>242,794</u>
<b>Disbursements</b>					
Current:					
General Government	79,051			10,061	89,112
Security of Persons and Property	45,769			7,107	52,876
Community Environment	56				56
Basic Utility Services	48,260				48,260
Transportation		9,826	528	9,992	20,346
<i>Total Disbursements</i>	<u>173,136</u>	<u>9,826</u>	<u>528</u>	<u>27,160</u>	<u>210,650</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,562</u>	<u>16,556</u>	<u>20,995</u>	<u>(9,969)</u>	<u>32,144</u>
<b>Other Financing Sources (Uses)</b>					
Other Financing Sources - Police Department	2,025				2,025
Other Financing Uses - Police Department	(2,284)				(2,284)
Advances-Out	(282)				(282)
Advances-In		282			282
Other Financing Sources	25,754				25,754
Other Financing Uses	(495)			(13,986)	(14,481)
<i>Total Other Financing Sources (Uses)</i>	<u>24,718</u>	<u>282</u>	<u>0</u>	<u>(13,986)</u>	<u>11,014</u>
<i>Net Change in Fund Balances</i>	29,280	16,838	20,995	(23,955)	43,158
<i>Fund Balances Beginning of Year</i>	<u>20,444</u>	<u>16,709</u>	<u>33,048</u>	<u>40,398</u>	<u>110,599</u>
<i>Fund Balances End of Year</i>	<u><u>\$49,724</u></u>	<u><u>\$33,547</u></u>	<u><u>\$54,043</u></u>	<u><u>\$16,443</u></u>	<u><u>\$153,757</u></u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
**Warren County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	41,000	\$41,000	\$41,183	\$183
Charges for Services	61,000	61,000	62,409	1,409
Fines, Licenses and Permits	50,980	34,250	28,385	(5,865)
Intergovernmental	12,020	12,020	7,887	(4,133)
Interest	3,000	3,000	2,328	(672)
Miscellaneous	29,000	29,000	35,506	6,506
<i>Total receipts</i>	<u>197,000</u>	<u>180,270</u>	<u>177,698</u>	<u>(2,572)</u>
<b>Disbursements</b>				
Current:				
General Government			83,553	(83,553)
Security of Persons and Property			46,224	(46,224)
Community Environment			56	(56)
Basic Utility Services			48,260	(48,260)
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>178,093</u>	<u>(178,093)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>197,000</u>	<u>180,270</u>	<u>(395)</u>	<u>(180,665)</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources - Police Department			2,025	2,025
Other Financing Uses - Police Department			(2,284)	(2,284)
Advances Out			(282)	(282)
Other Financing Sources			25,754	25,754
Other Financing Uses			(495)	(495)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>24,718</u>	<u>24,718</u>
<i>Net Change in Fund Balance</i>	197,000	180,270	24,323	(155,947)
<i>Fund Balance Beginning of Year</i>	19,663	19,663	19,663	0
Prior Year Encumbrances Appropriated	<u>781</u>	<u>781</u>	<u>781</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$217,444</u>	<u>\$200,714</u>	<u>\$44,767</u>	<u>(\$155,947)</u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**

**Warren County**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual - Budget Basis*

*Street Construction, Maintenance and Repair Fund*

*For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$17,000	\$17,000	\$26,382	\$9,382
<i>Total receipts</i>	<u>17,000</u>	<u>17,000</u>	<u>26,382</u>	<u>9,382</u>
<b>Disbursements</b>				
Current:				
Transportation			9,977	(9,977)
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>9,977</u>	<u>(9,977)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>17,000</u>	<u>17,000</u>	<u>16,405</u>	<u>(595)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In			282	282
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>282</u>	<u>282</u>
<i>Net Change in Fund Balance</i>	17,000	17,000	16,687	(313)
<i>Fund Balance Beginning of Year</i>	16,709	16,709	16,709	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	
<i>Fund Balance End of Year</i>	<u>\$33,709</u>	<u>\$33,709</u>	<u>\$33,396</u>	<u>(\$313)</u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
**Warren County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Street Levy Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$17,200	\$18,391	\$19,369	\$978
Intergovernmental	130	3,000	2,153	(847)
<i>Total receipts</i>	<u>17,330</u>	<u>21,391</u>	<u>21,522</u>	<u>131</u>
<b>Disbursements</b>				
Current:				
Transportation			558	(558)
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>558</u>	<u>(558)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>17,330</u>	<u>21,391</u>	<u>20,964</u>	<u>(427)</u>
<i>Net Change in Fund Balance</i>	17,330	21,391	20,964	(427)
<i>Fund Balance Beginning of Year</i>	<u>33,048</u>	<u>33,048</u>	<u>33,048</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$50,378</u></u>	<u><u>\$54,439</u></u>	<u><u>\$54,012</u></u>	<u><u>(\$427)</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF HARVEYSBURG**  
**WARREN COUNTY**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2007*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	
Cash	<u>\$3,938</u>
<i>Total Assets</i>	<u><u>3,938</u></u>
<b>Liabilities</b>	
Payments Due to Others	<u>3,938</u>
<i>Total Liabilities</i>	<u><u>\$3,938</u></u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
**Warren County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	
Cash	<u>\$110,599</u>
<i>Total Assets</i>	<u><u>\$110,599</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$90,155
Unrestricted	<u>20,444</u>
<i>Total Net Assets</i>	<u><u>\$110,599</u></u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
**Warren County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$94,992	\$61,610		(\$33,382)
Security of Persons and Property	67,925	3,400	\$2,550	(61,975)
Public Health Services	256			(256)
Community Environment	1,123	11,440		10,317
Basic Utility Services	33,483	34,539		1,056
Transportation	14,135		23,806	9,671
Other Financing Uses - Police Department	21,641	21,678		37
<i>Total Governmental Activities</i>	\$233,555	\$132,667	\$26,356	(74,532)
		<b>General Receipts</b>		
		Property Taxes Levied for:		
		General Purposes		68,761
		Grants/Entitlements not Restricted to Specific Programs		19,468
		Interest		609
		Miscellaneous		43,690
		<i>Total General Receipts</i>		132,528
		Change in Net Assets		57,996
		<i>Net Assets Beginning of Year</i>		52,603
		<i>Net Assets End of Year</i>		\$110,599



**Village of Harveysburg**  
**Warren County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	General	Street Constuction Maintenance & Repair	Street Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$20,444	\$16,709	\$33,048	\$40,398	\$110,599
<i>Total Assets</i>	<u>\$20,444</u>	<u>\$16,709</u>	<u>\$33,048</u>	<u>\$40,398</u>	<u>\$110,599</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$782				\$782
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	19,662				19,662
Special Revenue Funds		\$16,709	\$33,048	\$40,398	90,155
<i>Total Fund Balances</i>	<u>\$20,444</u>	<u>\$16,709</u>	<u>\$33,048</u>	<u>\$40,398</u>	<u>\$110,599</u>

See accompanying notes to the basic financial statements

**Village of Harveysburg  
Warren County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds*

*For the Year Ended December 31, 2006*

	General	Street Construction Maintenance & Repair	Street Levy	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$35,387		\$19,223	\$14,150	\$68,760
Charges for Services	54,551				54,551
Fines, Licenses and Permits	47,958			8,480	56,438
Intergovernmental	15,953	\$22,038	2,022	19,311	59,324
Interest	609				609
Miscellaneous	30,190				30,190
<i>Total Receipts</i>	<u>184,648</u>	<u>22,038</u>	<u>21,245</u>	<u>41,941</u>	<u>269,872</u>
<b>Disbursements</b>					
Current:					
General Government	83,953			11,039	94,992
Security of Persons and Property	58,041			9,884	67,925
Public Health Services	256				256
Community Environment	1,123				1,123
Basic Utility Services	33,483				33,483
Transportation		9,735	4,399		14,134
Capital Outlay					0
<i>Total Disbursements</i>	<u>176,856</u>	<u>9,735</u>	<u>4,399</u>	<u>20,923</u>	<u>211,913</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,792</u>	<u>12,303</u>	<u>16,846</u>	<u>21,018</u>	<u>57,959</u>
<b>Other Financing Sources (Uses)</b>					
Other Financing Sources - Police Department	21,678				21,678
Other Financing Uses - Police Department	(21,641)				(21,641)
Transfers In		1,328	1,526	539	3,393
Transfers Out	(1,677)	(388)		(1,328)	(3,393)
Advances In	1,713			567	2,280
Advances Out	(567)			(1,713)	(2,280)
<i>Total Other Financing Sources (Uses)</i>	<u>(494)</u>	<u>940</u>	<u>1,526</u>	<u>(1,935)</u>	<u>37</u>
<i>Net Change in Fund Balances</i>	7,298	13,243	18,372	19,083	57,996
<i>Fund Balances Beginning of Year</i>	<u>13,146</u>	<u>3,466</u>	<u>14,676</u>	<u>21,315</u>	<u>52,603</u>
<i>Fund Balances End of Year</i>	<u><u>\$20,444</u></u>	<u><u>\$16,709</u></u>	<u><u>\$33,048</u></u>	<u><u>\$40,398</u></u>	<u><u>\$110,599</u></u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
**Warren County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts			(Optional)
				Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$36,000	\$36,000	\$35,387	(\$613)
Charges for Services	54,250	54,250	54,551	301
Fines, Licenses and Permits	62,000	62,000	47,958	(14,042)
Intergovernmental	7,000	7,000	15,953	8,953
Interest	500	500	609	109
Miscellaneous	28,000	28,000	30,190	2,190
<i>Total receipts</i>	<u>187,750</u>	<u>187,750</u>	<u>184,648</u>	<u>(3,102)</u>
<b>Disbursements</b>				
Current:				
General Government	89,895	89,895	84,011	5,884
Security of Persons and Property	64,185	64,185	58,764	5,421
Public Health Services	362	362	256	106
Community Environment	1,500	1,500	1,123	377
Basic Utility Services	33,483	33,483	33,483	0
<i>Total Disbursements</i>	<u>189,425</u>	<u>189,425</u>	<u>177,637</u>	<u>11,788</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,675)</u>	<u>(1,675)</u>	<u>7,011</u>	<u>8,686</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets				0
Notes Issued				0
Premium on Debt Issue				0
Other Financing Sources - Police Department			21,678	21,678
Other Financing Uses - Police Department			(21,641)	(21,641)
Transfers In				0
Transfers Out			(1,677)	(1,677)
Advances In			1,713	1,713
Advances Out			(567)	(567)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(494)</u>	<u>(494)</u>
<i>Net Change in Fund Balance</i>	(1,675)	(1,675)	6,517	8,192
<i>Fund Balance Beginning of Year</i>	11,857	11,857	11,857	
Prior Year Encumbrances Appropriated	1,289	1,289	1,289	
<i>Fund Balance End of Year</i>	<u>\$11,471</u>	<u>\$11,471</u>	<u>\$19,663</u>	<u>\$8,192</u>

**Village of Harveysburg**

**Warren County**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual - Budget Basis*

*Street Construction, Maintenance and Repair Fund*

*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$17,000	\$17,000	\$22,038	\$5,038
<i>Total receipts</i>	<u>17,000</u>	<u>17,000</u>	<u>22,038</u>	<u>5,038</u>
<b>Disbursements</b>				
Current:				
Transportation	10,000	10,000	9,735	265
<i>Total Disbursements</i>	<u>10,000</u>	<u>10,000</u>	<u>9,735</u>	<u>265</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,000</u>	<u>7,000</u>	<u>12,303</u>	<u>5,303</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		0	1,328	1,328
Transfers Out	(450)	(450)	(388)	62
<i>Total Other Financing Sources (Uses)</i>	<u>(450)</u>	<u>(450)</u>	<u>940</u>	<u>1,390</u>
<i>Net Change in Fund Balance</i>	6,550	6,550	13,243	6,693
<i>Fund Balance Beginning of Year</i>	3,466	3,466	3,466	
Prior Year Encumbrances Appropriated	0	0	0	
<i>Fund Balance End of Year</i>	<u>\$10,016</u>	<u>\$10,016</u>	<u>\$16,709</u>	<u>\$6,693</u>

See accompanying notes to the basic financial statements

**Village of Harveysburg**  
**Warren County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Street Levy Fund*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$20,000	\$20,000	\$19,223	(\$777)
Intergovernmental	0	0	2,022	2,022
<i>Total receipts</i>	20,000	20,000	21,245	1,245
<b>Disbursements</b>				
Current:				
Transportation	5,200	5,200	4,399	801
<i>Total Disbursements</i>	5,200	5,200	4,399	801
<i>Excess of Receipts Over (Under) Disbursements</i>	14,800	14,800	16,846	2,046
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	1,526	1,526
<i>Total Other Financing Sources (Uses)</i>	0	0	1,526	1,526
<i>Net Change in Fund Balance</i>	14,800	14,800	18,372	3,572
<i>Fund Balance Beginning of Year</i>	14,676	14,676	14,676	0
<i>Fund Balance End of Year</i>	\$29,476	\$29,476	\$33,048	\$3,572

See accompanying notes to the basic financial statements

**VILLAGE OF HARVEYSBURG**  
**WARREN COUNTY**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2006*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	
Cash	\$3,255
<i>Total Assets</i>	<u>3,255</u>
<b>Liabilities</b>	
Payments Due to Others	3,255
<i>Total Liabilities</i>	<u>\$3,255</u>

See accompanying notes to the basic financial statements

Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006

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**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 10 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 was compiled shortly after year-end, the commission requested that the Auditor of State of Ohio do another financial analysis which will result in terminating the Village from Fiscal Emergency. This analysis resulted in the Village being terminated from fiscal emergency on June 19, 2007.

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

Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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 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 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 nonexchange 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 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. Nonmajor funds are aggregated and presented in a single column.



Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**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 nonexchange 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 Construction Maintenance and Repair Fund – To account for the portion (92.5%) of the state gasoline tax and motor vehicle registration fees designated for maintenance and repair of streets within the Village.

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

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 cash basis of accounting. 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 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.

Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

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 2007 and 2006, 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 2007 was \$2,328 and during 2006 was \$609.

**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.

Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**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 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**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 \$104,033 for 2007 and \$90,155 for 2006 of restricted net assets, none of which are 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.

Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 3 – 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 Construction, Maintenance and Repair and Street Levy 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 cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$4,957, \$151 and \$30 for 2007 and for the General, Street Maintenance and Repair and Street Levy Funds, respectively and \$782 for the General in 2006.

**Note 4 – 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;

Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 4 – Deposits and Investments** (continued)

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, 2007 and 2006.

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 5 – Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Village. Real property tax receipts received in 2007 for real and public utility property taxes represent collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

**Note 5 – Property Taxes** (continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$8.32 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$8,379,030
Agriculture	384,550
Commercial/Industrial/Mineral	922,280
Public Utility Personal Property	129,340
Tangible Personal Property	70,785
Total Assessed Value	\$9,885,985

**Note 6 – 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 2006, 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.

Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 6 – Risk Management** (continued)

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 7 – Defined Benefit Pension Plan**

Plan Description – 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) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, the members of the Village were required to contribute 9.5 percent of their annual covered salaries.

The Village's contribution rate for pension benefits for 2007 was 13.85 percent. For the period January 1 through June 30, 2007, a portion of the Village's contribution equal to 5.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6.0 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Village of 14 percent for Village employees.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$5,319, \$6,278, and \$7,666, respectively. The full amount has been contributed for all three years.

Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 8 – Post-employment Benefits**

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-retirement health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 222-5601, or (800) 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.0 percent of covered payroll from January 1 through June 30, 2007, and 6.0 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006 and 2005 were \$4,065, \$2,589 and \$3,211, respectively; 100 percent has been contributed for all three years.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.



Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

**Note 9 – Interfund Transfers/Advances**

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 2007, there was an interfund transfer made from the General Fund to the Street Construction, Maintenance and Repair Special Revenue Fund to correct an error.

	Transfer to	
Transfers From		Street Construction, Maintenance and Repair Fund
General		\$282

During 2006, interfund transfers were made between funds to correct prior year posting errors as follows:

	Street Construction, Maintenance and Repair Fund	Street Levy Fund	Other Governmental Funds	Totals
Transfers From				
General	\$0	\$1,235	\$442	\$1,677
Street Construction, Mainenance and Repair Fund	0	291	97	388
Other Governmental Funds	1328	0	0	1328
Totals	\$1,328	\$1,526	\$539	\$3,393

**Note 10 – 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.

Village of Harveysburg  
Notes to the Financial Statements  
For the Years Ended December 31, 2007 and 2006  
(Continued)

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**Note 11 – Compliance**

- The Village did not always certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D)(1).
- The Village did not pass an appropriation resolution for 2007 as required by Ohio Revised Code Section 5705.38(A); therefore 2007 expenditures exceeded appropriations contrary to Ohio Revised Code Section 5705.41(B).
- The Village did not maintain all required records as required by Ohio Revised code Section 149.351(A).
- The Village Council did not always specify the reason it went into executive session contrary to Ohio Revised Code Section 121.22(G)(1).
- The Village could not provide documentation the Clerk attended continuing education programs contrary to Ohio Revised Code Section 733.27.
- The Village did not maintain records related to a Police Department account contrary to Ohio Revised Code Section 733.28.

**Note 12 – Contingent Liabilities**

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.

**Note 13 – Fiscal Watch**

The Village of Harveysburg was placed in fiscal watch on September 20, 2001 by the Auditor of State Local Government Services (LGS) division for the year ended December 31, 2000. A fiscal watch condition exists under Section 118.022(A)(2) of the Ohio Revised Code because the adjusted aggregate balance of those funds with a deficit balance at December 31, 2000, did exceed one-twelfth of the General Fund receipts and the receipts of the respective deficit funds. A fiscal watch condition also exists under Section 118.022(A)(3) of the Ohio Revised Code as the Village's treasury balance less the positive fund cash balances as of December 31, 2000, exceeded one-twelfth of the treasury receipts for the year.

The Village was removed from Fiscal Watch on June 19, 2007.



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the 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 years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 27, 2009, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles and that the Village did not provide sufficient documentation to support the Police Department "Other Financing Sources and Uses" in the Village's General Fund which comprise 10% of 2006 General Fund revenues and other financing sources and 11% of 2006 General Fund expenditures and other financing uses. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Except for 2006 General Fund Other Financing Sources, 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 Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2007-001, 2007-003, 2007-005, 2007-006 and 2007-008 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings numbers 2007-001, 2007-003, 2007-005 and 2007-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated April 27, 2009

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-004 and 2007-006 through 2007-008.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 27, 2009

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 27, 2009

**VILLAGE OF HARVEYSBURG  
WARREN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2007 and 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Material Noncompliance/Material Weakness**

**Ohio Rev. Code, § 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 therefrom.

The Village Police Department has a separate bank account and the Police Department rather than the Village Clerk/Treasurer records transactions and maintains records for this account. Such activity should be included within the General Fund in order to comply with Ohio Rev. Code § 733.28. The Police Chief had incomplete records, and other auditing procedures were attempted, but we were unable to reach completeness of receipts and disbursements.

We were unable to obtain sufficient information regarding the receipts and disbursements recorded as "Other Financing Sources" – Police Department and "Other Financing Uses" – Police Department in the General Fund. The amounts recorded on the financial statements Other Financing Uses – Police Department accounts for 10% of 2006 General Fund revenue and Other Financing Uses – Police Department accounts for 11% of 2006 General Fund expenditures could not be audited. We were unable to determine if the amounts presented in the financial statements are either complete and/or accurate.

Without the oversight of Village officials, the Police Department collected donations and other monies and deposited these funds into the bank account noted above. It also expended funds utilizing the above account without the use of purchase orders or approvals. By maintaining this account outside the Village's accounting system, the account was not subject to the Village's budgetary controls or to the oversight of Village Council. The records of the Police Department were incomplete and insufficient to determine the amount of receipts collected and disbursements made.

Failure to record all financial activity for the above mentioned fund could result in misappropriation of funds and inaccurate reporting of village activity.

All financial activity of the Village should be accurately presented in the Village's financial statements and reviewed by Council for reasonableness. The Village should request the above mentioned information from the Police Department.

We recommend all Police Department receipts and expenditures be accounted for on the Village's financial records. All accounting entries should be posted in chronological order and reflect year-to-date totals. The Police Department should pay the money into the Village account and all receipts and expenditures should follow the same process and procedures as other monies received and expended by the Village.

**Officials' Response:**

We did not receive a response from officials regarding this finding.

## FINDING NUMBER 2007-002

### Noncompliance Citation

**Ohio Rev. Code, § 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money 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 of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve 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 Clerk 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 current 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 Clerk 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 60 percent and 70 percent of expenditures tested, respectively, for 2007 and 2006 and none of the exceptions above applied.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2007-002  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk 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

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:**

We did not receive a response from officials regarding this finding.

**FINDING NUMBER 2007-003**

**Noncompliance Citation / Material Weakness**

**Ohio Rev. Code, § 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 file appropriations with the County Auditor for the fiscal year 2007. The minutes indicated 2007 appropriations were passed by Council on December 26, 2006 but this Ordinance could not be located and it was not filed with the County Auditor.

Failure of the Village to file appropriations does not allow the Village officials to monitor its budgetary position.

We recommend that the Village file its appropriations on a timely basis.

**Officials' Response:**

We did not receive a response from officials regarding this finding.

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

**Ohio Rev. Code, § 5705.41(B)**, provides that no subdivision or taxing unit is to expend money unless it has been properly appropriated. As described in Finding 2007-003, the Village was unable to locate a copy of its 2007 appropriation measure. Therefore, the Village's accounting system reflected no 2007 appropriations.

Expenditures plus encumbrances exceeded appropriations for the following funds in 2007:

<b>2007</b>	<b>Appropriations</b>	<b>Expenditures + Outstanding Encumbrances</b>	<b>Variance</b>
General Fund	\$0	\$177,526	(\$177,526)
Street Construction, Maintenance & Repair	0	9,977	(9,977)
Street Levy	0	558	(558)
Law Enforcement Trust	0	1,388	(1,388)
Permissive Motor Vehicle License	0	12,334	(12,334)
Police Levy	0	5,719	(5,719)
Water Operating	0	7,718	(7,718)

Failure to monitor budgetary activity can result in overspending and negative fund balances.

Village Council should monitor the Village's budgetary receipts and expenditures by having the clerk provide budgetary reports at least quarterly. Village Council should have inquired and followed up as to why the accounting system did not reflect the appropriations they passed December 26, 2006. By regularly monitoring its budgetary position throughout the year, the Village will be able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

**Officials' Response:**

We did not receive a response from officials regarding this finding.



**FINDING NUMBER 2007-005**

**Significant Deficiency/Material Weakness**

Ohio Admin. Code § 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 reconciled by the clerk during the audit period, 24 out of 24 months. The Mayor's Court incurs costs that only appear on the bank statement and are not known by the clerk until the statement is received. These costs include the payment for the leasing of a credit card machine as well as fees associated with the machine. Also, the Mayor's Court account was not properly accounting for returned checks and declined credit cards.

Every month during 2007 and 2006, the clerk had to request assistance from the Auditor of State's Local Government Services Division to reconcile the account.

We recommend the Mayor's Court Clerk reconcile properly on a monthly basis and the Mayor review and approve them.

For the general account, the Village's Uniform Accounting Network (UAN) computerized accounting system allows the reconciliations to be printed. These reconciliations should be presented to Council each month for their review and approval. The review process should include tracing the primary account amount to the bank statement, deposits in transit to bank deposit slips, and outstanding checks to the outstanding checklist (generated by the UAN system). Any "other adjusting factors" should be fully investigated and accounted for. The UAN bank reconciliation provides 10 signature lines with the heading "Governing Board Signatures." After the monthly reconciliation review is completed, the reviewers should sign on the signature lines.

**Officials' Response:**

We did not receive a response from officials regarding this finding.

## FINDING NUMBER 2007-006

### Noncompliance Citation/Material Weakness

**Ohio Rev. Code, § 149.351(A)**, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Revised Code.

In addition, **Ohio Rev. Code, § 149.39**, provides in part, that when records have been approved for disposal by the records commission, a copy of such records list shall be sent to the Ohio Historical Society for its review. The Ohio Historical Society shall be informed and given the opportunity for a period of sixty days to select for its custody or disposal such records as it considered to be of continuing historical value. The Ohio historical society shall review the application or schedule within a period of not more than sixty days after its receipt of it. Upon completion of its review, the Ohio historical society shall forward the application for one-time disposal of obsolete records or the schedule of records retention and disposition to the Auditor of State. The Auditor shall approve or disapprove the application or schedule within a period of not more than sixty days. Before public records are to be disposed of, the commission shall inform the Ohio historical society of the disposal through the submission of a certificate of records disposal and shall give the society the opportunity for a period of fifteen business days to select for its custody those public records that it considers to be of continuing historical value.

We noted the following:

#### Ticket Accountability

- Eighteen tickets were accounted for in the Court bookkeeping system by the Village Clerk of Court, but could not be located by the Village Police Department
- Five tickets were accounted for at the police department but could not be traced to the Village Clerk of Court.

#### Unsupported Purchasing

- The Village made a payment to a Mid America Specialties on October 26, 2006 in the amount of \$464.63 without an original invoice. The voucher package contained a letter from Revenue Assurance Partners, a collection agency working on behalf of Mid America Specialties. It was later determined that this purchase was made by a former police chief for 250 key chains to be passed out with Police Department information.

#### Off the Books Police Account

- As noted in Finding 2007-001 and in our opinion, the Village Police Department has a separate bank account. Such activity should be included within the General Fund in order to conform to the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. The Police Chief had incomplete records, and although other auditing procedures were attempted, we were unable to reach completeness of receipts and disbursements.
- Due to the lack of revenue and expenditure documentation for the transactions of the off-books police account, the Village received a qualified opinion on their General Fund.
- The activity declined from 2006 to 2007 by over 90%, but there was no documentation in either year to determine if those receipts and expenditures were complete and properly recorded.

**FINDING NUMBER 2007-006  
(Continued)**

Lack of Credit Card Policy/Lack of Detailed Receipts

- The Village does not have a credit card policy.
- One hundred and fifty two (152) purchases were made by various personnel using the Village's Marathon Credit Card that were not accompanied by the original receipt. The vouchers attached to the credit card monthly statements were signed by the Finance Committee. The monthly statements provided some detail of what was purchased. It was noted by auditors that all purchases at the Marathon station in the village were automatically converted to gallons of gas equivalent by the store, regardless of what was actually purchased. That station is now closed and no additional records are available.

We recommend the Village maintain all records as required by law, including:

Ticket Accountability

- The Police Chief should maintain an accurate log of all police department tickets, including voided tickets and those submitted to County Court. The log should identify tickets that are assigned to each Village Police Officer. A reconciliation of tickets should be made between the Police Chief and the Mayor's Court Clerk on a monthly basis.

Unsupported Purchasing

- Expenditures should be supported with original invoices, providing accountability.

Off the Books Police Account

- Any off the books accounts should be closed, and responsibility for maintaining all revenue and expenditure documentation should be with the Village Clerk, except for Mayor's Court. All documentation should be properly filed in an orderly, neat fashion.

Lack of Credit Card Policy/Lack of Detailed Receipts

- The Village should create and maintain a Credit Card Usage Policy.
- Credit card bills should not be paid until the monthly credit card statement is matched with original receipts. If the original receipt is missing, the Clerk should contact the individual to provide the receipt. All individuals with access to the Credit Card should sign the policy and agree to repay the Village if receipts are not provided or purchases are not for a proper public purpose.

**Officials' Response:**

We did not receive a response from officials regarding this finding.

## FINDING NUMBER 2007-007

### Noncompliance Citation

**Ohio Rev. Code, Section 121.22(C)**, states that all meetings of any public body are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

**Ohio Rev. Code, § 121.22(G)**, provides the members of a public body may hold an executive session only after a majority of a quorum of the public body determines, by roll call vote, to hold an executive session and only at a regular or special meeting for the sole purpose of the consideration of the following matters:

1. The appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or officials, or the investigation of charges or complaints against a public employee, official, licensee, or regulated individual, unless the public employee, official license, or regulated individual requests a public hearing.
2. The purchase of property for public purposes, or for the sale of property at competitive bidding, if premature disclosure or information would give an unfair competitive or bargaining advantage to a person whose personal private interest is adverse to the general public interest.
3. Conducting conferences with an attorney for the public body, concerning disputes involving the public body that are the subject of pending or imminent court action.
4. Preparing for, conducting, or reviewing negotiations or bargaining sessions with public employees concerning their compensation or other terms and conditions of their employment.
5. Matters required to be kept confidential by federal laws or rules or state statutes.
6. Specialized details of security arrangements and emergency response protocols where disclosure of the matters discussed could reasonably be expected to jeopardize the security of the public body or public office.

**Ohio Rev. Code, § 121.22(G)(1)**, requires if a public body holds an executive session pursuant to division (G)(1) of this section, the motion and vote to hold that executive session shall state which one or more of the approved purposes listed in division (G)(1) of this section are purposes for which the executive session is held, but need not include the name of any person to be considered at the meeting.

When noting the approved purpose of the executive session the use of general terms like "personnel" instead of one or more of the specified statutory purposes is a violation of Ohio Rev. Code § 121.22(G)(1). *State ex rel. Long v. Cardington Village Council* (2001), 92 Ohio St.3d 54, 748 N.E.2d 58.

Village Council held 14 executive sessions in 2007 and six in 2006. It could not be determined if a roll call vote was held for any of these. The reason given for six executive sessions in 2007 and two in 2006 stated to discuss village personnel.

We recommend the Village take a roll call vote for all executive sessions and stipulate the reason(s) why as stated above. Doing so will comply with Ohio Sunshine Laws and provide citizens with more information while maintaining the integrity of executive sessions.

### Officials' Response:

We did not receive a response from officials regarding this finding.

**FINDING NUMBER 2007-008**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code, § 733.27(B)**, states that the village clerk shall attend training programs for new village clerks and annual training programs of continuing education for village clerks that are provided by the auditor of state pursuant to section 117.44 of the Revised Code.

No documentation was provided that the Village Clerk attended the required training. During both years of the audit, the clerk was unable to properly and accurately keep the books and records of the Village. The Clerk had to have assistance from LGS every month to properly reconcile.

Failure to attend the required training can limit a clerk's access to information necessary to complete the tasks required of the position. Lack of proper training can lead to serious errors in record keeping.

We recommend the Village Clerk attend all required training programs.

**Officials' Response:**

We did not receive a response from officials regarding this finding.

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**VILLAGE OF HARVEYSBURG  
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	The Village did not encumber all transactions as required by ORC 5705.41(D).	No	This finding has been reissued as finding 2007-002 in the current audit report.
2005-002	The Village had a deficit Capital Projects fund balance resulting in a finding per ORC 5705.10.	Yes	
2005-003	The Village had appropriations which exceeded estimated resources in violation of ORC 5705.39.	Yes	
2005-004	The Village was cited per ORC 9.38 for not depositing Mayor's Court receipts timely.	Yes	
2005-005	A reportable condition was issued for payroll tax errors, Council not reviewing monthly budgetary documents and the Mayor's Court account was not reconciled.	Partially	Management Letter
2005-006	A reportable condition was issued for lack of time sheets and no pay rates approved by Council.	Partially	Management Letter







Mary Taylor, CPA  
Auditor of State

VILLAGE OF HARVEYSBURG

WARREN COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 28, 2009