Village of Harveysburg
Warren County
Regular Audit
For the Years Ended December 31, 2015 and 2014



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Board of Trustees Village of Harveysburg 79 E. Main St Harveysburg, OH 45032

We have reviewed the *Independent Auditor's Report* of the Village of Harveysburg, Warren County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost Auditor of State

December 5, 2016



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# **Independent Auditor's Report**

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Harveysburg, Warren County, (the Village) as of and for the years ended December 31, 2015 and 2014.

# Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

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

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

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

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

# Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

# Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Harveysburg, Warren County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Natalie Millhuff-Stang, CPA, CITP

President/Owner

Millhuff-Stang, CPA, Inc.

Portsmouth, Ohio

September 23, 2016

Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances All Governmental Fund Types

For the Year Ended December 31, 2015

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$37,880	\$45,226	\$83,106
Intergovernmental	10,789	36,892	47,681
Charges for Services	43,363	2,629	45,992
Fines, Licenses and Permits	58,188	2,771	60,959
Earnings on Investments	166	96	262
Miscellaneous	42,517	2,631	45,148
Total Cash Receipts	192,903	90,245	283,148
Cash Disbursements:			
Current:			
Security of Persons and Property	0	57,253	57,253
Public Health Services	345	0	345
Leisure Time Activities	2,644	73	2,717
Community Environment	4,864	0	4,864
Basic Utility Services Transportation	36,486 0	46 49,301	36,532 49,301
General Government	90,663	6,029	96,692
Total Cash Disbursements	135,002	112,702	247,704
Total Receipts Over (Under) Disbursements	57,901	(22,457)	35,444
Other Financing Receipts (Disbursements):			
Transfers In	0	30,000	30,000
Transfers Out	(30,000)	0	(30,000)
Sale of a Fixed Asset	0	2,470	2,470
Total Other Financing Receipts/(Disbursements)	(30,000)	32,470	2,470
Net Change in Fund Cash Balances	27,901	10,013	37,914
Fund Cash Balances, January 1	96,599	133,382	229,981
Fund Cash Balances, December 31 Restricted for:			
Court Clerk Computerization	0	2,660	2,660
Mayor's Court Computerization	0	8,323	8,323
Police Operations	0	15,621	15,621
Road Maintenance and Improvements	0	116,791	116,791
Assigned	524	0	524
Unassigned	123,976	0	123,976
Fund Cash Balances, December 31	\$124,500	\$143,395	\$267,895

Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances All Fiduciary Funds

For the Year Ended December 31, 2015

	Fiduciary Fund Types
	Agency Funds
Non-Operating Cash Receipts: Other Non-Operating Receipts	\$72.520
Total Non-Operating Cash Receipts	\$72,539 72,539
Total Non-Operating Cash Receipts	12,337
Non-Operating Cash Disbursements:	
Other Non-Operating Disbursements	72,252
Total Non-Operating Cash Disbursements	72,252
Net Receipts Over Disbursements	287
	5.655
Fund Cash Balances, January 1	5,675
Fund Cash Balances, December 31	\$5,962

# Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances All Governmental Fund Types

For the Year Ended December 31, 2014

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$34,818	\$41,901	\$76,719
Intergovernmental	11,396	35,478	46,874
Charges for Services	44,703	282	44,985
Fines, Licenses and Permits	61,563	3,376	64,939
Earnings on Investments	146	112	258
Miscellaneous	55,199	2,700	57,899
Total Cash Receipts	207,825	83,849	291,674
Cash Disbursements:			
Current:			
Security of Persons and Property	0	79,657	79,657
Public Health Services	337	0	337
Community Environment	2,660	0	2,660
Basic Utility Services	43,535	0	43,535
Transportation	0	49,785	49,785
General Government	109,967	8,983	118,950
Capital Outlay	10,494	28,722	39,216
Total Cash Disbursements	166,993	167,147	334,140
Total Receipts Over (Under) Disbursements	40,832	(83,298)	(42,466)
Other Financing Receipts (Disbursements):			
Transfers In	0	69,000	69,000
Transfers Out	(69,000)	0	(69,000)
Total Other Financing Receipts (Disbursements)	(69,000)	69,000	0
Net Change in Fund Cash Balances	(28,168)	(14,298)	(42,466)
Fund Cash Balances, January 1	124,767	147,680	272,447
Fund Cash Balances, December 31 Restricted for:			
Court Clerk Computerization	0	4,342	4,342
Mayor's Court Computerization	0	7,342	7,342
Police Operations	0	15,189	15,189
Road Maintenance and Improvements	0	106,509	106,509
Unassigned	96,599	0	96,599
Fund Cash Balances, December 31	\$96,599	\$133,382	\$229,981

Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Fiduciary Funds

For the Year Ended December 31, 2014

	Fiduciary Fund Types
	Agency Funds
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$78,604
Total Non-Operating Cash Receipts	78,604
Non-Operating Cash Disbursements: Other Non-Operating Cash Disbursements Total Non-Operating Cash Disbursements	78,637 78,637
Net Receipts (Under) Disbursements	(33)
Fund Cash Balances, January 1	5,708
Fund Cash Balances, December 31	\$5,675

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

# **Note 1 – Summary of Significant Accounting Policies**

### **Description of the Entity**

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

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

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

# **Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

#### **Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village had no investments during 2015 or 2014.

# **Fund Accounting**

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

General Fund

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

Special Revenue Funds

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

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

# Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

Fiduciary Funds

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

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

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

#### **Budgetary Process**

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of the 2015 and 2014 budgetary activity appears in Note 3.

#### Property, Plant, and Equipment

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

Notes to the Financial Statements For the Years Ended December 31, 2015 and 2014

# Note 1 – Summary of Significant Accounting Policies (Continued)

#### **Fund Balances**

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

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

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

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

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

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

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

# Note 2 – Equity in Pooled Cash and Investments

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

	2015	2014
Demand Deposits	\$273,857	\$235,656

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

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

# Note 3 – Budgetary Activity

Budgetary activity, except for agency funds, for the years ending December 31, 2015 and 2014 follows:

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	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$196,323	\$192,903	(\$3,420)
Special Revenue	142,435	122,715	(19,270)
Total	\$338,758	\$315,618	(\$23,140)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$259,185	\$165,526	\$93,659
Special Revenue	174,090	113,230	60,860
Total	\$433,275	\$278,756	\$154,519

2014 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$182,890	\$207,825	\$24,935
Special Revenue	61,900	152,849	90,949
Total	\$244,790	\$360,674	\$115,884

2014 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$0	\$236,194	(\$236,194)
Special Revenue	0	167,665	(167,665)
Total	\$0	\$403,859	(\$403,859)

# Note 4 – Property Taxes

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

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

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

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

Notes to the Financial Statements For the Years Ended December 31, 2015 and 2014

#### Note 5 – Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries, with the Village contributing an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

#### Note 6 – Risk Management

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

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

#### Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

### **Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	2014	2015
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	\$23,038,920	\$25,548,550

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$7,000.

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

# Note 6 - Risk Management (Continued)

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

Contributions to PEP		
2014	2015	
\$9,553	\$10.728	

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

# Note 7 – Interfund Activity

During the year ended December 31, 2015, the Village had the following interfund activity:

2015		
	Transfer	Transfer
	In	Out
General Fund	\$0	\$30,000
Police Levy Fund	30,000	0
Total	\$30,000	\$30,000
2014		
	Transfer	Transfer
	In	Out
General Fund	\$0	\$69,000
Police Levy Fund	69,000	0
Total	\$69,000	\$69,000

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

# Note 8 - Shared Risk Pool

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

Notes to the Financial Statements For the Years Ended December 31, 2015 and 2014

# Note 9 – Compliance

- The Village did not always properly certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D).
- The Village had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).
- The Village did not properly authorize transfers contrary to Ohio Revised Code Section 5705.14 and 5705.16.
- The Village did not properly adopt the appropriation measures in accordance with Ohio Revised Code Section 5705.38(A).
- The Village did not pay OPERS in a timely manner contrary to Ohio Revised Code 145.47(B)

# Note 10 – Contingent Liabilities

The Village is currently party to litigation. However, management is of the opinion that such litigation will not have a material adverse effect on the Village's cash financial position.



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

Independent Auditor's Report

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Village of Harveysburg, Warren County (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

# **Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2015-002 through 2015-004, and 2015-006, that we consider to be material weaknesses.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*Page 2

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

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-001 and 2015-005 through 2015-008.

#### Village's Responses to Findings

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

#### **Purpose of this Report**

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

Natalie Millhuff-Stang, CPA, CITP

President/Owner

Millhuff-Stang, CPA, Inc.

Natalii Nfillhuff Stang

Portsmouth, Ohio

September 23, 2016

Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

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

#### FINDING NUMBER 2015-001

#### **Noncompliance – Proper Encumbrance of Funds**

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

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

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

The Village did not properly certify the availability of funds for purchase commitments for several expenditures tested for 2015 and 2014. Failure to properly certify the availability of funds can result in overspending funds, negative cash fund balances, or unauthorized or improper disbursements. The Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

#### Client Response:

Recommendation will be brought to Council's attention to assure proper procedures are taken to address.

Schedule of Findings and Responses For the Years Ended December 31, 2015 and 2014

#### FINDING NUMBER 2015-002

#### Material Weakness - Bank Reconciliations

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

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

The Mayor's Court account was not properly reconciled by the Clerk (the Fiscal Officer) during 2014 of the audit period and the regular account reconciliations were not signed off on and approved by Council for 2014 and 2015. Also in 2014, the regular account was not properly reconciled.

The Village should implement additional monitoring procedures to ensure that the Mayor's Court account is reconciled monthly and presented to Council and also the regular account reconciliations are properly reconciled and are approved by Council.

#### Client Response:

The Council will be aware and a policy/procedure will be looked at in the future to assure it is being done.

### FINDING NUMBER 2015-003

#### Material Weakness - Misstatements and Misclassifications in the Financial Statements

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

#### Client Response:

This will be taken care of.

# FINDING NUMBER 2015-004

# Material Weakness - Budgetary Information Within UAN

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

Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

# FINDING NUMBER 2015-004 (Continued)

#### Material Weakness – Budgetary Information Within UAN (Continued)

This is to ensure budgetary information is presented accurately and completely. Further, the Village should implement the use of tickler files to ensure that budgetary documents are timely filed with the County.

# Client Response:

Any budgetary changes are now presented to Council prior to changing for approval. Upon approval, the fiscal officer checks with the auditor's office to see if it is something they need notification of.

#### FINDING NUMBER 2015-005

#### **Noncompliance – Expenditures in Excess of Appropriations**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations in all funds in 2014 due to not submitting the appropriations to the County for approval and in 2015 due to not filing permanent appropriations until June 23. Failure to monitor budgets subjects the Village to the risk of improper spending or overspending. The Village should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized/appropriated amounts. Also, the Village should submit the appropriations to the County for approval as required by Ohio Revised Code.

#### Client Response:

Council is aware and the Village is currently working on this matter.

#### FINDING NUMBER 2015-006

# Noncompliance/Material Weakness - OPERS

Ohio Revised Code Section 145.47(B), provides, in part, the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period.

Ohio Public Employees Retirement System (OPERS) payroll reports and the withholdings for the months of March, June, August and October 2014 were not remitted timely. Also noted that the reports and withholdings for the months of January, February, April, May and July 2015 were not remitted timely.

We recommend the Village Fiscal Officer file the required reports and remit the necessary payments when he completes the payroll for the last pay period of the month. This will ensure the Village does not incur unnecessary penalties and interest.

#### Client Response:

This has already been addressed with Council and the fiscal officer now uses a chart to keep up with the payments to make sure they are submitted on time.

Schedule of Findings and Responses For the Years Ended December 31, 2015 and 2014

#### FINDING NUMBER 2015-007

#### Noncompliance – Transfer Approval

Ohio Revised Code Sections 5705.14 and 5705.16 state that except in the case of transfers from the general fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the general fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for general fund transfers though a resolution passed by a simple majority is required. A simple majority constitutes a quorum of greater than 50% of the members.) During 2014, transfers were posted to the accounting records that were not approved by Council. Furthermore, there was no documentation to substantiate why the transfers were made. The Village should ensure that transfers are properly authorized and appropriate substantiation is maintained.

# Client Response:

The Village Fiscal Officer will present Ohio Revised Code recommendations to Council to ensure proper procedure when transferring Village funds.

#### FINDING NUMBER 2015-008

#### **Noncompliance – Adoption of Appropriations**

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. The Village did not adopt its annual appropriations in the minutes for 2014. Temporary appropriations were filed with the Warren County Auditor's office for 2014 in July 2013; however permanent and final appropriations for 2014 were not filed. For 2015, the permanent appropriations were filed with the County Auditor in June of 2015. The Village should implement the appropriate procedures to ensure that appropriations are properly adopted, and filed with the County.

# Client Response:

Policy will be discussed with Village Council.

# Village of Harveysburg Warren County, Ohio Schedule of Prior Audit Findings For the Years Ended December 31, 2015 and 2014

Finding		Fully	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer
Number	Finding Summary	Corrected?	Valid; Explain
2013-1	Noncompliance – Proper Encumbrance of Funds	No	Reissued as Finding 2015-001
2013-2	Significant Deficiency – Bank Reconciliations	No	Reissued as Finding 2015-002
2013-3	Material Weakness – Misstatements and Misclassifications in the Financial Statements	No	Reissued as Finding 2015-003
2013-4	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2015-004
2013-5	Noncompliance – Expenditures in Excess of Appropriations	No	Reissued as Finding 2015-005
2013-6			
2013-7	Significant Deficiency – Mayor's Court Monthly Reports	Yes	
2013-8	Noncompliance – Transfer Approval	No	Reissued as Finding 2015-007
2013-9	Noncompliance – Adoption of Appropriations	No	Reissued as Finding 2015-008



# 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.

**CLERK OF THE BUREAU** 

Susan Babbitt

CERTIFIED DECEMBER 15, 2016