

VILLAGE OF BURKETTSTVILLE

MERCER COUNTY

REGULAR AUDIT

JANUARY 1, 2005 THROUGH DECEMBER 31, 2006

YEARS AUDITED UNDER GAGAS: 2006 AND 2005

CAUDILL & ASSOCIATES CPA's

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725 5<sup>th</sup> Street  
Portsmouth, Ohio 45662





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Burkettsville  
P.O. Box 45  
Burkettsville, Ohio 45310

We have reviewed the *Independent Auditor's Report* of the Village of Burkettsville, Mercer County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

December 10, 2007

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**VILLAGE OF BURKETTSTVILLE  
MERCER COUNTY**

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# Caudill & Associates, CPA's

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## Independent Auditor's Report

Village of Burkettsville  
Mercer County  
P.O. Box 85  
Burkettsville, Ohio 45310

To the Village Council:

We have audited the accompanying financial statements of the Village of Burkettsville (The Village), Mercer County, Ohio, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Village Council  
Village of Burkettsville  
Independent Auditor's Report  
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2006 and 2005 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's

November 16, 2007



VILLAGE OF BURKETTSVILLE  
MERCER COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Funds Types</u>			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b><u>Cash Receipts</u></b>				
Property and Other Taxes	\$ 5,186	\$ 6,573	\$ -	\$ 11,759
Charges for Services	-	-	4,325	4,325
Intergovernmental	28,627	22,983	26,469	78,079
Earnings on Investments	665	-	-	665
Miscellaneous	3,437	-	1,100	4,537
Total Cash Receipts	<u>37,915</u>	<u>29,556</u>	<u>31,894</u>	<u>99,365</u>
<b><u>Disbursements:</u></b>				
General Government	20,252	-	-	20,252
Security of Persons and Property	7,246	6,518	-	13,764
Transportation	-	29,772	-	29,772
Public Health	1,317	-	-	1,317
Leisure Time Activities	12,944	-	-	12,944
Basic Utility Services	175	-	-	175
Debt Service:				
Principal Payments	-	-	33,912	33,912
Interest and Fiscal Charges	-	-	2,582	2,582
Capital Outlay	-	-	8,879	8,879
Total Cash Disbursements	<u>41,934</u>	<u>36,290</u>	<u>45,373</u>	<u>123,597</u>
Total Receipts Over (Under) Disbursements	<u>(4,019)</u>	<u>(6,734)</u>	<u>(13,479)</u>	<u>(24,232)</u>
Fund Cash Balance, January 1	<u>26,348</u>	<u>50,577</u>	<u>20,164</u>	<u>97,089</u>
Fund Cash Balance, December 31	<u>\$ 22,329</u>	<u>\$ 43,843</u>	<u>\$ 6,685</u>	<u>\$ 72,857</u>
Reserves for Encumbrances, December 31	<u>\$ 3,444</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 6,444</u>

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

VILLAGE OF BURKETTSTVILLE  
MERCER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Funds Types</u>			
	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b><u>Cash Receipts</u></b>				
Property and Other Taxes	\$ 4,868	\$ 6,437	\$ -	\$ 11,305
Charges for Services	-	-	2,575	2,575
Intergovernmental	27,773	33,465	53,052	114,290
Earnings on Investments	693	-	-	693
Miscellaneous	2,897	-	9,287	12,184
Total Cash Receipts	<u>36,231</u>	<u>39,902</u>	<u>64,914</u>	<u>141,047</u>
<b><u>Disbursements:</u></b>				
General Government	29,810	-	-	29,810
Security of Persons and Property	6,476	6,430	-	12,906
Transportation	-	20,954	-	20,954
Public Health	1,203	-	-	1,203
Leisure Time Activities	6,657	-	-	6,657
Basic Utility Services	241	-	-	241
Transportation	140	-	-	140
Debt Service:				-
Principal Payments	-	-	22,687	22,687
Interest and Fiscal Charges	2,397	-	2,960	5,357
Capital Outlay	-	-	236,566	236,566
Total Cash Disbursements	<u>46,924</u>	<u>27,384</u>	<u>262,213</u>	<u>336,521</u>
Total Receipts Over (Under) Disbursements	<u>(10,693)</u>	<u>12,518</u>	<u>(197,299)</u>	<u>(195,474)</u>
<b><u>Other Financing Receipts/Disbursements:</u></b>				
Debt Proceeds	-	-	106,119	106,119
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>-</u>	<u>106,119</u>	<u>106,119</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(10,693)</u>	<u>12,518</u>	<u>(91,180)</u>	<u>(89,355)</u>
Fund Cash Balance, January 1	<u>37,041</u>	<u>38,059</u>	<u>111,344</u>	<u>186,444</u>
Fund Cash Balance, December 31	<u>\$ 26,348</u>	<u>\$ 50,577</u>	<u>\$ 20,164</u>	<u>\$ 97,089</u>
Reserves for Encumbrances, December 31	<u>\$ 4,717</u>	<u>\$ 2,800</u>	<u>\$ -</u>	<u>\$ 7,517</u>

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

**VILLAGE OF BURKETTSVILLE  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Burkettsville, Mercer County, (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, including park operations (leisure time activities) and street construction maintenance and repair. The Mercer County Sheriff's department provides security of persons and property. The Village appropriates general fund and special revenue fund money to support a volunteer fire department.

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

**B. Basis of Accounting**

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

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village maintains all of its funds in an interest bearing checking account.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

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

State Highway Improvement Fund – This fund receives seven and one-half percent of the gasoline and motor vehicle tax money for constructing, maintaining and repairing State Highways within the Village.

**VILLAGE OF BURKETTSTVILLE  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Sewer System Fund – This fund receives money from the Ohio Water Development Authority and the Small Cities Community Development Block Grant (CDBG) for the construction of a sewer system within the Village

Shelter House Construction Fund – This fund receives proceeds of general obligation bonds. The proceeds were used to construct a new shelter house.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**VILLAGE OF BURKETTSTVILLE  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**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:

	2006	2005
Demand deposits	\$72,857	\$97,089

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,695	\$37,915	(\$24,780)
Special Revenue	77,277	29,556	(47,721)
Capital Project	32,165	31,894	(271)
Total	\$172,137	\$99,365	(\$72,772)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,000	\$45,378	\$16,622
Special Revenue	69,600	39,290	30,310
Capital Projects	50,879	45,373	5,506
Total	\$182,479	\$130,041	\$52,438

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,542	\$36,231	(\$37,311)
Special Revenue	63,858	39,902	(23,956)
Capital Projects	344,344	171,033	(173,311)
Total	\$481,744	\$247,166	(\$234,578)

**VILLAGE OF BURKETTSTVILLE  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**3. BUDGETARY ACTIVITY (CONTINUED)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,800	\$51,641	\$10,159
Special Revenue	61,688	30,184	31,504
Capital Projects	258,000	262,213	(4,213)
Total	\$381,488	\$344,038	\$37,450

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Water Development Authority Loan	\$488,568	0.00%
General Obligation Bonds	<u>\$57,129</u>	4.00%
Total	<u>\$545,697</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sanitary sewer collection system project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$529,383 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$13,235 over 20 years. The scheduled payment amount bellows assumes that \$529,383 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Bonds were issued on April 12, 2004, for the purpose of constructing a shelter house in the Village. The Village's taxing authority collateralizes General Obligations Bonds.

**VILLAGE OF BURKETTSTVILLE  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**5. DEBT (CONTINUED)**

Amortization of the above debt, including interest, follows:

	<b>OWDA Loan</b>	<b>General Obligation Bonds</b>
Year ending December 31:		
2007	26,469	10,694
2008	26,469	10,694
2009	26,469	10,694
2010	26,469	10,694
2011	26,469	10,694
2012 – 2016	132,345	32,082
2017 – 2021	132,345	
2022 – 2026	91,533	
Total	\$488,568	\$85,552

**6. RETIREMENT SYSTEM**

The Village’s Clerk and Mayor belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan’s retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5 percent, respectively, of their gross salaries. The Village contributed an amount equaling 13.70 and 13.55 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

The Village is uninsured for the following risks:

- Errors and omissions.

**8. COMPLIANCE**

Contrary to Ohio Rev. Code Section 733.28 the Clerk/Treasurer did not account for all transactions on the books of the Village or the financial statements. During our test of debt, disbursements, and receipts it was noted the Clerk/Treasurer posted several receipts, disbursements, and debt payments to the incorrect line item and/or to the incorrect fund. It was also noted the Clerk/Treasurer did not record any encumbrances during the audit period. This resulted in many reclassifications and adjustments.

Contrary to Ohio Rev. Code Section 5705.40 the Village expenditures exceeded appropriations in several funds in 2005 and both the General Fund and Fire Levy Fund in 2006.

**VILLAGE OF BURKETTSVILLE  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**8. COMPLIANCE (CONTINUED)**

Contrary to Ohio Rev. Code Section 5705.41(B) there were several instances noted throughout the year and at year end in which expenditures exceeded appropriations at both the fund level and legal level of control.

Contrary to Ohio Rev. Code Section 5705.41 (D), the Village did not properly certify funds prior to a commitment being paid during 2005 and 2006. 20% of the expenditures in 2006 and 33% in 2005 tested were not properly certified contrary to Section 5705.41 (D).



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

Village of Burkettsville  
Mercer County  
P.O. Box 85  
Burkettsville, Ohio 45310

We have audited the accompanying cash-basis financial statements of Village of Burkettsville (the Village), Mercer County, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's financial statements, and have issued our report thereon dated November 16, 2007, wherein we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting 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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2006-004, 2006-005, 2006-006, and 2006-007.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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 deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiency described in the accompanying schedule of findings and responses to be a material weakness in internal controls over financial reporting as item

Village of Burkettsville

Mercer County

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

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### **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 four instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2006-001, 2006-002, 2006-003, and 2006-004.

We noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated November 16, 2007.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's

November 16, 2007

**VILLAGE OF BURKETTSVILLE  
MERCER COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2006-001**

**Noncompliance Citation – Ohio Rev. Code Section 5705.40**

The Ohio Rev. Code Section 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.

The Village expenditures exceeded appropriations in several funds in 2005 and both the General Fund and Fire Levy Fund in 2006.

The Village should pass amendments in order to avoid expenditures exceeding appropriations.

**Village Response:**

The Village will appropriately follow the auditor’s recommendation and will monitor appropriations and expenditures.

**FINDING NUMBER 2006-002**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41 (B)**

The Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2005 and 2006, the following funds had expenditures which exceeded appropriations at the legal level of control:

<b>Fund</b>	<b>2005</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
<b>General Fund:</b>				
Contractual Services - Miscellaneous	\$500	\$638	(\$138)	
Contractual Services	5,000	5,300	(300)	
Salaries/Wage – Clerk/Treasurer	6,000	8,683	(2,683)	
Supplies/Materials	500	564	(64)	
Salaries/Wages - Mayor	1,500	1,674	(174)	
Contractual Services - Solicitor	1,500	2,460	(960)	
<b>Fire Levy Fund:</b>				
Contractual Services	6,000	9,230	(3,230)	
<b>Sewer Fund:</b>				
Capital Outlay	243,000	248,261	(5,261)	
<b>FEMA Fund:</b>				
FEMA Snow & Ice	\$10,000	\$11,822	(\$1,822)	

**VILLAGE OF BURKETTSVILLE  
MERCER COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2006-002 (CONTINUED)**

<b>Fund</b>	<b>2006</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
<b>General Fund:</b>				
Contractual Services – Misc.		\$500	\$571	(\$71)
Capital Outlay		4,000	4,099	(99)
Salaries/Wages – Clerk/Treasurer		3,000	5,013	(2,013)
Contractual Services Land & Building		7,000	7,624	(624)
Other – Insurance & Bonding		2,200	2,629	(429)
Capital Outlay		1,500	1,532	(32)
<b>Fire Levy Fund:</b>				
Contractual Services		\$7,600	\$9,518	(\$1,918)

Village personnel should adopt appropriations prior to authorizing the expenditures of funds. All appropriation amendments should be filed with the County Auditor on a timely basis.

**Village Response:**

The Village will appropriately follow the auditor’s recommendation and will monitor appropriations and expenditures.

**FINDING NUMBER 2006-003**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D)**

Ohio Rev. Code Section 5705.41 (D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)(1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**VILLAGE OF BURKETTSTVILLE  
MERCER COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-003 (CONTINUED)**

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

33% of the expenditures tested were not properly certified in 2005 and 20% in 2006.

We recommend the Village implement policies to ensure that all purchases first have monies certified by the Fiscal Officer before purchasing or ordering an item. We also recommend the use of a "then and now" certificate in instances of emergency or absence of proper authority.

**Village Response:**

Village officials will monitor the proper certifying of expenditures more closely.

**FINDING NUMBER 2006-004**

**Noncompliance Citation/Significant Deficiency/Material Weakness – Ohio Rev. Code Section 733.28**

Ohio Rev. Code Section 733.28 states, in part, that the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived there-from, and of all taxes and assessments.

Contrary to Ohio Rev. Code Section 733.28 the Clerk/Treasurer did not account for all transactions on the books of the Village or the financial statements. During our test of debt, disbursements, and receipts it was noted the Clerk/Treasurer posted several receipts, disbursements, and debt payments to the incorrect line item and/or to the incorrect fund. It was also noted the Clerk/Treasurer did not record any encumbrances during the audit period. This resulted in many reclassifications and adjustments.

The Village should record all transactions in the books of the Village, including encumbrances. We recommend the Clerk/Treasurer review the Village Officer's Handbook accounts to determine the correct coding of receipts and disbursements.

**Village Response:**

Village officials will ensure all transactions are recorded to the Village books. Reference will be made to the Village Officer's Handbook chart of accounts.

**VILLAGE OF BURKETTSVILLE  
MERCER COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-005**

**Significant Deficiency – Blank Checks**

In 2006 and 2005, the Clerk/Treasurer maintained blank checks at his residence. The checks were not kept in a secure location such as a safe or locked cabinet.

Sensitive documents such as blank checks should be secured at all times. When not stored in a secured environment, blank checks may be stolen which could compromise the Village's financial condition.

We recommend the Village adopt a safeguard policy to assure that all sensitive documents including blank checks are contained in secure, locked areas.

**Village Response:**

The Village will adopt a policy to assure that all sensitive documents including blank checks are contained in secure, locked areas.

**FINDING NUMBER 2006-006**

**Significant Deficiency – Dual Signatures**

During our test of disbursements, it was noted the Clerk/Treasurer is the only required signatory on all checks.

The lack of a second required signatory allows for potential fraud in that only one individual is authorizing the check prior to disbursement.

The Village should adopt a written policy that requires a minimum of two signatures on all checks written from the Village's account for amounts over \$500. The second signatory should be an individual that serves on the Village Council.

**Village Response:**

Village officials will begin including two signatures on all check disbursements over \$500.

**FINDING NUMBER 2006-007**

**Significant Deficiency – Segregation of Duties**

In an entity the size of the Village, it is usually not cost effective to employ the basic internal accounting controls necessary to provide management with a reasonable assurance that all related procedures are functioning properly. The Clerk is responsible for all functions relating to the accounting records.

Without the proper separation of duties, there is the possibility that errors or irregularities could occur and

**VILLAGE OF BURKETTSVILLE  
MERCER COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2006 AND 2005**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-007 (CONTINUED)**

not be detected in a timely period.

To strengthen internal accounting and administrative controls, we recommend that a finance committee be appointed, comprised of members of the Council, to periodically review monthly financial statements to determine; whether proper accounting procedures are being followed; and that the bank reconciliations, cash journal and ledgers support the statements submitted.

In addition to performing such a review, officials' signatures or initials should be affixed to the documents reviewed, and a notation of such review and the results thereof should be noted in the Village minutes.

**Village Response:**

The Village Council will develop internal control procedures that make, to the best extent possible, the segregation of duties for the receipting, expenditure, and cycles, and for the reconciliation of records.

**Village of Burkettsville**  
**Mercer County**  
*Schedule of Prior Audit Findings*  
*For the Fiscal Years Ended December 31, 2006 and 2005*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	ORC Section – 5705.41(D)	No	Repeated as Finding 2006-003





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BURKETTSVILLE**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 20, 2007**