



Dave Yost • Auditor of State

VILLAGE OF BUTLER
RICHLAND COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Butler
Richland County
P.O. Box 307
Butler, OH 44822

To the Village Council:

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 Butler, Richland County, Ohio, (the Village) as of and for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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, 2016, or changes in financial position or cash flows thereof for the year 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 Butler, Richland County, Ohio, as of December 31, 2016, and its combined cash receipts and disbursements for the year 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

July 27, 2017

Village of Butler, Ohio
Richland County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 25,314	\$ 18,076	\$ 43,390
Municipal Income Tax	163,310	-	163,310
Intergovernmental	30,405	67,193	97,598
Fines, Licenses and Permits	2,358	-	2,358
Miscellaneous	6,564	-	6,564
<i>Total Cash Receipts</i>	<u>227,951</u>	<u>85,269</u>	<u>313,220</u>
Cash Disbursements			
Current:			
Security of Persons and Property	73,880	-	73,880
Leisure Time Activities	922	-	922
Transportation	-	70,486	70,486
General Government	128,364	-	128,364
Debt Service:			
Principal Retirement	-	16,034	16,034
Interest and Fiscal Charges	-	2,570	2,570
<i>Total Cash Disbursements</i>	<u>203,166</u>	<u>89,090</u>	<u>292,256</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>24,785</u>	<u>(3,821)</u>	<u>20,964</u>
Other Financing Receipts			
Sale of Capital Assets	30,000	-	30,000
<i>Total Other Financing Receipts</i>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
<i>Net Change in Fund Cash Balances</i>	54,785	(3,821)	50,964
<i>Fund Cash Balances, January 1</i>	<u>42,678</u>	<u>72,712</u>	<u>115,390</u>
Fund Cash Balances, December 31			
Nonspendable	1,099	-	1,099
Restricted	-	68,891	68,891
Assigned	40,047	-	40,047
Unassigned	56,317	-	56,317
<i>Fund Cash Balances, December 31</i>	<u>\$ 97,463</u>	<u>\$ 68,891</u>	<u>\$ 166,354</u>

See accompanying notes to the basic financial statements

Village of Butler, Ohio
Richland County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 266,474	\$ -	\$ 266,474
<i>Total Operating Cash Receipts</i>	<u>266,474</u>	<u>-</u>	<u>266,474</u>
Operating Cash Disbursements			
Personal Services	72,054	-	72,054
Contractual Services	105,513	-	105,513
Supplies and Materials	25,695	-	25,695
Other	5,526	-	5,526
<i>Total Operating Cash Disbursements</i>	<u>208,788</u>	<u>-</u>	<u>208,788</u>
<i>Operating Income</i>	<u>57,686</u>	<u>-</u>	<u>57,686</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	128,300	-	128,300
Other Debt Proceeds	34,000	-	34,000
Capital Outlay	(162,300)	-	(162,300)
Principal Retirement	(35,146)	-	(35,146)
Interest and Other Fiscal Charges	(26,044)	-	(26,044)
Court Collections	-	2,250	2,250
Court Disbursements	-	(2,250)	(2,250)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(61,190)</u>	<u>-</u>	<u>(61,190)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(3,504)</u>	<u>-</u>	<u>(3,504)</u>
<i>Fund Cash Balances, January 1</i>	<u>121,339</u>	<u>-</u>	<u>121,339</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 117,835</u>	<u>\$ -</u>	<u>\$ 117,835</u>

See accompanying notes to the basic financial statements

Village of Butler, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Butler, Richland County, 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. A publicly elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and part time police services. The Village contracts with Worthington Township to receive fire protection services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway To be used on our state highways inside the Village limits.

Permissive The permissive fund is used for bridges and streets in the Village limits.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Village of Butler, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Storm Water The storm water account is for maintenance of our storm water issues within the Village limits.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had 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 Agency Fund:

Mayors Court Fund Mayor's court money is collected and transferred into the general fund.

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.

Budgetary Process

Appropriations Budgetary expenditures 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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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. The Village did not use the encumbrance method of accounting.

A summary of 2016 budgetary activity appears in Note 3.

Deposits The Village has no investments. Cash consists of demand deposits and savings accounts.

Village of Butler, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. 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 Village 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.

Village of Butler, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$171,778	\$257,951	\$86,173
Special Revenue	77,856	85,269	7,413
Enterprise	427,050	428,774	1,724
Total	\$676,684	\$771,994	\$95,310

2016 Budgeted vs. Actual Receipts			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$243,026	\$203,166	\$39,860
Special Revenue	102,400	89,090	13,310
Enterprise	457,063	432,278	24,785
Total	\$802,489	\$724,534	\$77,955

Contrary to Ohio Rev. Code § 5705.41(D), the Village did not certify the availability of funds for all expenditures during 2015.

Note 4 – Deposits

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

	2016
Demand Deposits	\$284,189

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Village of Butler, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes

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.

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs

Risk Pool Membership

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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Village of Butler, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management (Continued)

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, 2016, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	2016
Assets	\$42,182,281
Liabilities	(13,396,700)
Net Position	\$28,785,581

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$6,863.

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.

The Village contributed \$10,893 to PEP in 2016.

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.

Village of Butler, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - Project CU11G - 2004	\$12,369	0.00%
OPWC - Project CP15N - 2010	\$27,885	0.00%
OPWC - Project CP28F - 2008	\$31,402	0.00%
OWDA - Elevated Water Storage Tank	\$654,192	3.86%
Street Improvement Bond	\$62,458	5.50%
Water Pollution Control Loan	<u>\$82,000</u>	0.00%
Total	<u><u>\$870,306</u></u>	

The Ohio Public Works Commission Loan – 2004 was entered into to finance the wastewater plant repairs. This loan will be repaid in semi-annual installments of \$773, with no interest through December 2024. The loan is collateralized by the Village's taxing authority.

The Ohio Public Works Loan – 2008 was entered into to finance the West Street well replacement. The project was started in 2005 and completed in 2007. This loan will be repaid in semi-annual installments of \$1,308, with no interest through July 2028. The loan is collateralized by the Village's taxing authority.

The Ohio Public Works Loan – 2010 was entered into to finance the manhole rehabilitation project. The project was started and completed in 2011. This loan will be repaid in semi-annual installments of \$929, with no interest through July 2031. The loan is collateralized by the Village's taxing authority.

Village of Butler, Ohio
Richland County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (Continued)

The Ohio Water Development Authority Loan was entered into to finance construction of an elevated water storage tank. The total amount for the project was \$743,401, to be repaid in semi-annual installments of \$21,025 through January 2041, with an interest rate of 3.86%. The loan is collateralized by the Villages taxing authority.

The Water Pollution Control Loan was entered into to finance wastewater collection system improvements. The total estimate for the project is \$372,881, with only \$82,000 spent on the project as of year-end. Therefore, no amortization schedule will be presented.

The Street Improvement Bonds were entered into to pay for part of the cost of resurfacing streets. The total amount of bonds issued was \$85,000, to be repaid through 2020.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC - CU11G	OPWC - CP15N	OPWC - CP28F	OWDA	Street Improvement Bond
2017	\$1,546	\$1,859	\$2,617	\$21,025	\$18,604
2018	1,546	1,859	2,617	42,050	18,604
2019	1,546	1,859	2,617	42,050	18,604
2020	1,546	1,859	2,617	42,050	10,853
2021	1,546	1,859	2,617	42,050	
2022-2026	4,639	9,295	13,084	210,250	
2027-2031		9,295	5,233	210,250	
2032-2036				210,250	
2037-2041				105,125	
Total	<u>\$12,369</u>	<u>\$27,885</u>	<u>\$31,402</u>	<u>\$925,100</u>	<u>\$66,665</u>



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Butler
Richland County
P.O. Box 287
Butler, Ohio 44659

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Butler, Richland County, (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated July 27, 2017 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

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001, 2016-002, and 2016-004 to be material weaknesses.

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, opining 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 findings 2016-001 and 2016-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 27, 2017

VILLAGE OF BUTLER
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

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

FINDING NUMBER 2016-001

Revenue Posting Errors - Material Weakness/Noncompliance

Ohio Rev. Code § 5705.10(D) indicates all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

During 2016, the Village posted homestead and rollback receipts entirely to the General Fund rather than allocating a portion to the Street Fund as indicated by the county tax settlement sheets, totaling \$3,412. The Village also receipted \$3,022 of gasoline tax receipts into the General Fund instead of the Street Fund. As a result, the General Fund cash balance was overstated by \$6,434.

These amounts were adjusted to the Village's accounting system and financial statements.

The Village should exercise due care when posting receipts to ensure receipts are posted to the correct funds. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

FINDING NUMBER 2016-002

Transaction Posting - Material Weakness

The Fiscal Officer did not always accurately post receipts and disbursements to the Village's accounting system and financial statements. In addition, fund balance classifications were not always in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54. Mispostings identified included, but were not limited, to the following:

- In the General Fund, the sale of the vacuum truck totaling \$30,000 was posted as miscellaneous revenue instead of sale of capital assets.
- In the General Fund, unassigned fund balance was overstated and assigned fund balance was understated by \$40,047, respectively, due to subsequent appropriations exceeding subsequent estimated receipts were posted as unassigned fund balance.
- In the Special Revenue Funds, fund balance totaling \$54,518 was classified as unassigned fund balance instead of restricted fund balance.
- In the Special Revenue Funds, debt payments totaling \$18,604 were posted as Transportation disbursements instead of \$16,034 to principal retirement and \$2,570 to interest and fiscal charges.
- In the Enterprise Funds, \$128,300 of Ohio Water Development Authority grants were posted as miscellaneous revenue instead of intergovernmental revenue.
- In the Enterprise Funds, \$34,000 of an Ohio Water Development Authority loan issuance and project payment was classified as Miscellaneous Revenue and Other Operating Disbursements instead of Debt Proceeds and Capital Outlay, respectively.
- In the Enterprise Funds, debt payments totaling \$61,190 were posted as Contractual Services disbursements instead of \$35,146 to principal retirement and \$26,044 to interest and fiscal charges.

VILLAGE OF BUTLER
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-002 (Continued)

These amounts were adjusted to the Village's financial statements.

The Village should review the Village Officer's Handbook and exercise due care when posting transactions to help ensure receipts and expenditures are posted to the correct fund and account. Additionally, the Village Council should review monthly receipt and expenditure activity reports to help ensure transactions are properly accounted for and classified. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

FINDING NUMBER 2016-003

Certification - Noncompliance

Ohio Rev. Code § 5705.41(D) provides no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), 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 the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers 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.

VILLAGE OF BUTLER
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-003 (Continued)

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.

None of the expenditures tested were certified prior to incurring the obligation. It was also found none of the exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

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 purchase commitments received prior approval. To improve control over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to the 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 Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2016-004

Mayor's Court - Material Weakness

The Village does not record the total activity for the Mayor's Court on the Village's books. The Mayor's Court records are kept separate from the Village's books, and each month a check is written to the Village for its portion of the fines and fees. This practice does not report the Village's entire activity on the financial statements, which could result in the Mayor's Court activity being overlooked and not being reviewed or monitored by Council.

For 2016, \$2,250 of receipts and \$2,250 of disbursements were adjusted to the agency fund's financial statement to reflect the Mayor's Court activity.

The fines and costs should be originally recorded in an Agency Fund, and then only the portion of fines and costs due to the Village should be recorded as a receipt in the General Fund to clearly account for the portion of court receipts that legally belong to the Village. The fines and costs due to the state should also be paid from this Agency Fund. This will allow for the entire activity of the Village to be included on the Village's books, and for Council to review the activity, and will help ensure more accurate financial statements.

Officials' Response: We are aware of the findings and will take appropriate action to correct them.

VILLAGE OF BUTLER
RICHLAND COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Posting Errors	Not Corrected	See Finding Number 2016-001 and Officials' Response.
2015-002	Transactions Posting	Not Corrected	See Finding Number 2016-002 and Officials' Response.
2015-003	Certification	Not Corrected	See Finding Number 2016-003 and Officials' Response.
2015-004	Mayor's Court	Not Corrected	See Finding Number 2016-004 and Officials' Response.
2015-005	OPWC Transactions	Corrective Action Taken and Finding is Fully Corrected	



Dave Yost • Auditor of State

VILLAGE OF BUTLER

RICHLAND 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
AUGUST 31, 2017