



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF BUTLER
RICHLAND COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

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OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Butler
P.O. Box 307
Butler, Ohio 44822

We have reviewed the *Independent Auditor's Report* of the Village of Butler, Richland County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. 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 Butler is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 5, 2019

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VILLAGE OF BUTLER
RICHLAND COUNTY
For the Fiscal Years Ended December 31, 2018 and 2017
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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 Village of Butler, Richland County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 such 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 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 (GAAP), 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, 2018 and 2017, and the respective changes in financial position or cash flows 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 cash balances, receipts and disbursements by fund type, and related notes of Village of Butler, Richland County as of December 31, 2018 and 2017, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, 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.



BHM CPA Group, Inc.
Piketon, Ohio
June 26, 2019

**VILLAGE OF BUTLER
RICHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Taxes	\$ 33,662	\$ 34,578	\$ 68,240
Municipal Income Tax	176,512	-	176,512
Intergovernmental	22,846	52,152	74,998
Other Receipts	7,234	-	7,234
Fines, Licenses, and Permits	6,393	-	6,393
Miscellaneous	3,608	550	4,158
	<u>250,255</u>	<u>87,280</u>	<u>337,535</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	58,105	-	58,105
Leisure Time Activities	236	-	236
Community Environment	714	-	714
Transportation	-	79,678	79,678
General Government	69,054	-	69,054
Other Disbursements	90,602	-	90,602
Debt Service:			
Principal Retirement	-	16,034	16,034
Interest and Fiscal Charges	-	2,570	2,570
	<u>218,711</u>	<u>98,282</u>	<u>316,993</u>
Total Cash Disbursements			
Net Change in Fund Cash Balances	31,544	(11,002)	20,542
Fund Cash Balances, January 1	<u>103,977</u>	<u>62,624</u>	<u>166,601</u>
Fund Cash Balances, December 31			
Restricted	-	51,622	51,622
Unassigned	<u>135,521</u>	<u>-</u>	<u>135,521</u>
Fund Cash Balances, December 31	<u>\$ 135,521</u>	<u>\$ 51,622</u>	<u>\$ 187,143</u>

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

**VILLAGE OF BUTLER
RICHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 348,941	\$ -	\$ 348,941
Total Operating Cash Receipts	<u>348,941</u>	<u>-</u>	<u>348,941</u>
Operating Cash Disbursements:			
Current:			
Personal Services	74,725	-	74,725
Contractual Services	92,030	-	92,030
Supplies and Materials	27,258	-	27,258
Other	112,779	-	112,779
Total Operating Cash Disbursements	<u>306,792</u>	<u>-</u>	<u>306,792</u>
Operating Income (Loss)	42,149	-	42,149
Non-Operating Receipts (Disbursements):			
Intergovernmental	39,900	-	39,900
Other Debt Proceeds	36,950	-	36,950
Principal Retirement	(78,218)	-	(78,218)
Interest and Other Fiscal Charges	(24,429)	-	(24,429)
Court Collections	-	3,387	3,387
Court Disbursements	-	(3,387)	(3,387)
Total Non-Operating Receipts (Disbursements)	<u>(25,797)</u>	<u>-</u>	<u>(25,797)</u>
Net Change in Fund Cash Balances	16,352	-	16,352
Fund Cash Balances, January 1	<u>110,733</u>	<u>-</u>	<u>110,733</u>
Fund Cash Balances, December 31	<u>\$ 127,085</u>	<u>\$ -</u>	<u>\$ 127,085</u>

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

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, 2018

Storm Water The storm water fund accounts for the provision of storm water services to the residents and commercial users within the Village.

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 Board 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

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. 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 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 appropriated. The Village did not use the encumbrance method of accounting

A summary of 2018 budgetary activity appears in Note 3.

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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.

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$276,572	\$250,225	(\$26,347)
Special Revenue	79,806	87,280	7,474
Enterprise	420,800	425,791	4,991
Total	\$777,178	\$763,296	(\$13,882)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$274,279	\$218,711	\$55,568
Special Revenue	119,870	98,282	21,588
Enterprise	460,771	409,439	51,332
Total	\$854,920	\$726,432	\$128,488

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$314,228

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Village.

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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, 2018.

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.

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - Project CU11G- 2004	\$9,277	0.00%
OPWC - Project CP15N - 2010	\$24,167	0.00%
OPWC - Project CP28F - 2008	\$26,168	0.00%
OWDA - Elevated Water Storage Tank	\$619,610	3.86%
Street Improvement Bond	\$30,390	5.50%
Water Pollution Control Loan 6848	\$301,323	0.00%
Water Pollution Control Loan 7274	\$262,440	0.00%
Total	<u>\$1,273,375</u>	

The Ohio Public Works Commission Loan – 2004 was entered 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 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 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.

The Ohio Water Development Authority Loan was entered 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 Village’s taxing authority.

The Water Pollution Control Loan 6848 was entered into to finance wastewater collection system improvements. The total estimate for the project is \$372,881. The loan is being repaid in semi-annual installments of \$9,322. The loan has not yet been finalized, therefore, no amortization schedule will be presented.

The Water Pollution Control Loan 7274 was entered into to finance wastewater treatment plant improvements. The total estimate for the project is \$297,350. The loan is being repaid in semi-annual installments of \$35,930. The loan has not yet been finalized, therefore, no amortization schedule will be presented.

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

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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
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	1,546	1,859	2,617	42,050	
2023	1,546	1,859	2,617	42,050	
2024-2028	1,547	9,295	13,083	210,252	
2029-2033		5,577		210,252	
2034-2038				210,252	
2039-2043				84,101	
Total	\$9,277	\$24,167	\$26,168	\$925,107	\$29,457

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**VILLAGE OF BUTLER
RICHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Taxes	\$ 32,011	\$ 16,872	\$ 48,883
Municipal Income Tax	171,664	-	171,664
Intergovernmental	23,202	68,648	91,850
Fines, Licenses, and Permits	3,738	-	3,738
Other Receipts	6,683	-	6,683
Miscellaneous	252	-	252
	<u>237,550</u>	<u>85,520</u>	<u>323,070</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	72,307	-	72,307
Community Environment	1,200	-	1,200
Transportation	-	73,183	73,183
General Government	157,529	-	157,529
Debt Service:			
Principal Retirement	-	16,034	16,034
Interest and Fiscal Charges	-	2,570	2,570
	<u>231,036</u>	<u>91,787</u>	<u>322,823</u>
Total Cash Disbursements			
Net Change in Fund Cash Balances	6,514	(6,267)	247
Fund Cash Balances, January 1	<u>97,463</u>	<u>68,891</u>	<u>166,354</u>
Fund Cash Balances, December 31			
Restricted	-	62,624	62,624
Unassigned	<u>103,977</u>	<u>-</u>	<u>103,977</u>
Fund Cash Balances, December 31	<u>\$ 103,977</u>	<u>\$ 62,624</u>	<u>\$ 166,601</u>

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

**VILLAGE OF BUTLER
RICHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 307,360	\$ -	\$ 307,360
Total Operating Cash Receipts	<u>307,360</u>	<u>-</u>	<u>307,360</u>
Operating Cash Disbursements:			
Current:			
Personal Services	67,725	-	67,725
Contractual Services	104,329	-	104,329
Supplies and Materials	39,762	-	39,762
Other	135,049	-	135,049
Total Operating Cash Disbursements	<u>346,865</u>	<u>-</u>	<u>346,865</u>
Operating Income (Loss)	(39,505)	-	(39,505)
Non-Operating Receipts (Disbursements):			
Other Debt Proceeds	135,050	-	135,050
Principal Retirement	(77,557)	-	(77,557)
Interest and Other Fiscal Charges	(25,090)	-	(25,090)
Court Collections	-	331	331
Court Disbursements	-	(331)	(331)
Total Non-Operating Receipts (Disbursements)	<u>32,403</u>	<u>-</u>	<u>32,403</u>
Net Change in Fund Cash Balances	(7,102)	-	(7,102)
Fund Cash Balances, January 1	<u>117,835</u>	<u>-</u>	<u>117,835</u>
Fund Cash Balances, December 31	<u>\$ 110,733</u>	<u>\$ -</u>	<u>\$ 110,733</u>

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

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017

Storm Water The storm water fund accounts for the provision of storm water services to the residents and commercial users within the Village.

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 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 Board 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

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. 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 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 appropriated. The Village did not use the encumbrance method of accounting

A summary of 2017 budgetary activity appears in Note 3.

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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.

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 3 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$217,041	\$237,550	\$20,509
Special Revenue	73,550	85,520	11,970
Enterprise	331,308	442,410	111,102
Total	\$621,899	\$765,480	\$143,581

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$292,307	\$231,036	\$61,271
Special Revenue	106,750	91,787	14,963
Enterprise	505,681	449,512	56,169
Total	\$904,738	\$772,335	\$132,403

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$277,334

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Village.

Village of Butler, Ohio
Richland County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government 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, 2017

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, 2017, 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, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$6,000.

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

<u>2017 Contributions to PEP</u> <u>\$10,050</u>

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, 2017

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, 2017.

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, 2017 was as follows:

	Principal	Interest Rate
OPWC - Project CU11G - 2004	\$10,823	0.00%
OPWC - Project CP15N - 2010	\$26,025	0.00%
OPWC - Project CP28F - 2008	\$28,785	0.00%
OWDA - Elevated Water Storage Tank	\$637,232	3.86%
Street Improvement Bond	\$46,424	5.50%
Water Pollution Control Loan 6848	\$319,967	0.00%
Water Pollution Control Loan 7274	\$261,420	0.00%
Total	\$1,330,676	

The Ohio Public Works Commission Loan – 2004 was entered 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 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 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, 2017

The Ohio Water Development Authority Loan was entered 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 Village's taxing authority.

The Water Pollution Control Loan 6848 was entered into to finance wastewater collection system improvements. The total estimate for the project is \$372,881. The loan is being repaid in semi-annual installments of \$9,322. The outstanding principal balance was updated to match the amount confirmed with OWDA. The loan has not yet been finalized, therefore, no amortization schedule will be presented.

The Water Pollution Control Loan 7274 was entered into to finance wastewater treatment plant improvements. The total estimate for the project is \$297,350. The loan is being repaid in semi-annual installments of \$35,930. This balance has been updated to match the OWDA confirmation. The loan has not yet been finalized, therefore, no amortization schedule will be presented.

The Street Improvement Bonds were entered 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
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	1,546	1,859	2,617	42,050	
2023-2027	3,093	9,295	13,084	210,252	
2028-2032		7,435	2,616	210,252	
2033-2037				210,252	
2038-2042				126,151	
Total	<u>\$10,823</u>	<u>\$26,025</u>	<u>\$28,785</u>	<u>\$967,157</u>	<u>\$48,061</u>

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**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 years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2019 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 finding 2018-001, 2018-002, and 2018-004 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 findings 2018-001 and 2018-003.

Village's Response to the Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



BHM CPA Group, Inc.
Piketon, Ohio
June 26, 2019

VILLAGE OF BUTLER
RICHLAND COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-001

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 2017 and 2018, 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. This totaled \$3,437 in 2017, and \$3,327 in 2018.

These amounts were adjusted to the Village's 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.

Client Response:

We are aware of the findings and will take appropriate action to correct them.

FINDING NUMBER 2018-002

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 Enterprise Funds, \$135,050 in 2017, and \$36,950 in 2018 of debt proceeds were incorrectly recorded as miscellaneous operating revenue instead of other debt proceeds.
- In the Enterprise Funds for 2018, \$39,900 of intergovernmental grant revenue was incorrectly recorded as miscellaneous operating revenue instead of intergovernmental revenues.
- In the Special Revenue Funds, debt payments totaling \$18,604 were incorrectly posted all to interest and fiscal charges for 2017 and 2018 instead of \$16,034 to principal retirement and \$2,570 to interest and fiscal charges.
- In the Special Revenue Funds, stormwater revenues of \$9,427 and expenditures of \$1,228 were incorrectly posted as miscellaneous revenue and transportation expenses respectively in the special revenue funds instead of as charges for services and materials and supplies respectively in the enterprise funds.
- In the Enterprise Funds, \$102,647 in 2017, and \$102,647 in 2018 of debt payments were incorrectly posted to other disbursements instead of \$77,557 to principal retirement and \$25,090 to interest and fiscal charges in 2017 and \$78,218 to principal retirement and \$24,429 to interest and fiscal charges in 2018.
- In the Special Revenue Funds, fund balance totaling \$62,624 in 2017 and \$51,622 were classified as unassigned balance instead of restricted fund balance.

VILLAGE OF BUTLER
RICHLAND COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-002 (Continued)

- In the General Fund for 2017, \$3,763 of mayor's court collections were included in fines, licenses, and permits for the general fund however this amount only represents the activity and not the true amount due to the village therefore it was removed as it overstated cash in 2017.

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 to 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.

Client Response:

We are aware of the findings and will take appropriate action to correct them.

FINDING NUMBER 2018-003

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
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-003 (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.

Client Response:

We are aware of the findings and will take appropriate action to correct them.

FINDING NUMBER 2018-004

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 2017, \$3,763 of receipts and \$3,763 of disbursements were adjusted to the agency fund's financial statement to reflect the Mayor's Court activity.

For 2018, \$331 of receipts and \$331 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.

VILLAGE OF BUTLER
RICHLAND COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDING NUMBER 2018-004 (Continued)

Client Response:

We are aware of the findings and will take appropriate action to correct them.

**Village of Butler
Richland County
Schedule of Prior Audit Findings
December 31, 2018 and 2017**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	Revenue Posting Errors – Material Weakness/Noncompliance	No	Reissued as Finding 2018-001
2016-002	Transaction Posting – Material Weakness	No	Reissued as Finding 2018-002
2016-003	Certification - Noncompliance	No	Reissued as Finding 2018-003
2016-004	Mayor’s Court – Material Weakness	No	Reissued as Finding 2018-004

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OHIO AUDITOR OF STATE KEITH FABER



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
NOVEMBER 19, 2019