



**Auditor of State
Betty Montgomery**

VILLAGE OF BUTLERVILLE
WARREN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Butlerville
Warren County
8546 State Route 132
Pleasant Plain, Ohio 45162

To the Village Council:

We have audited the accompanying financial statements of the Village of Butlerville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 19, 2003

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,756	\$208	\$1,964
Intergovernmental Receipts	5,058	2,779	7,837
Charges for Services	2,854	0	2,854
Fines, Licenses, and Permits	175	0	175
	<u>9,843</u>	<u>2,987</u>	<u>12,831</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	584	0	584
Public Health Services	40	0	40
Leisure Time Activities	100	0	100
Community Environment	696	0	696
Transportation	0	1,267	1,267
General Government	7,257	0	7,257
	<u>8,677</u>	<u>1,267</u>	<u>9,944</u>
Total Receipts Over Disbursements	1,166	1,721	2,887
Fund Cash Balances, January 1	<u>2</u>	<u>11,806</u>	<u>11,808</u>
Fund Cash Balances, December 31	<u>\$1,168</u>	<u>\$13,527</u>	<u>\$14,695</u>
Reserves for Encumbrances, December 31	<u>\$393</u>	<u>\$83</u>	<u>\$476</u>

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,729	\$233	\$1,962
Intergovernmental Receipts	5,702	2,965	8,667
Charges for Services	2,835	0	2,835
Fines, Licenses, and Permits	75	0	75
	<u>10,341</u>	<u>3,198</u>	<u>13,539</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,162	0	1,162
Public Health Services	40	0	40
Community Environment	638	0	638
Transportation	0	1,168	1,168
General Government	9,422	0	9,422
	<u>11,262</u>	<u>1,168</u>	<u>12,430</u>
Total Receipts Over/(Under) Disbursements	(921)	2,030	1,109
Fund Cash Balances, January 1	<u>923</u>	<u>9,776</u>	<u>10,699</u>
Fund Cash Balances, December 31	<u>\$2</u>	<u>\$11,806</u>	<u>\$11,808</u>
Reserves for Encumbrances, December 31	<u>\$570</u>	<u>\$0</u>	<u>\$570</u>

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Butlerville, Warren County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides street maintenance and repair. The Village contracts with the Warren County Sheriff's department to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash Deposits

During the fiscal years 2002 and 2001, the Village funds were in a non-interest bearing checking account.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$14,696</u>	<u>\$11,808</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,660	\$9,844	\$184
Special Revenue	7,399	2,987	(4,412)
Total	\$17,059	\$12,831	(\$4,228)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,230	\$9,070	\$1,160
Special Revenue	5,814	1,350	4,464
Total	\$16,044	\$10,420	\$5,624

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,065	\$10,341	\$2,276
Special Revenue	7,200	98	(4,002)
Total	\$15,265	\$10,439	(\$1,726)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,065	\$11,832	\$3,233
Special Revenue	4,200	1,168	3,032
Total	\$19,265	\$13,000	\$6,265

In 2001, appropriations exceeded estimated revenue by \$6,800 in the General Fund. The Village also failed to amend estimated revenues. Also, appropriations were not properly posted to the budgetary ledgers.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX (Continued)

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

5. RETIREMENT SYSTEMS

Some Village Council members have elected to belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Village has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

7. RELATED PARTY TRANSACTIONS

Scott Studer, SDS Contractors was contracted for snow plowing and sidewalk removal for years 2001 through May 2002. He is the spouse of Tonya Studer, a Village Council member during 2001. He was paid \$888 during 2001 and \$481 during 2002.

8. COMPLIANCE

The Village did not complete the following budgetary procedures by the dates required by Ohio law;

- Adopt tax budgets;
- Authorize and certify tax rates;
- Pass annual appropriations; and
- Certify available amounts to the county auditor.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Butlerville
Warren County
8546 State Route 132
Pleasant Plain, Ohio 45162

To the Village Council:

We have audited the accompanying financial statements of the Village of Butlerville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2002-001 and 2002-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 and 2002-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Village in a separate letter dated June 19, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 19, 2003

**VILLAGE OF BUTLERVILLE
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance and Reportable Condition – Budgetary

Ohio Rev. Code, Section 5705, prescribes budgetary laws for the Village. The Village did not comply with the following sections of the code:

- A. Ohio Rev. Code, Section 5705.28, requires a subdivision to adopt a tax budget on or before July 15 each year for the next succeeding fiscal year. The Village did not adopt a tax budget in 2001 until July 16, 2001 and tax budget in 2002 until July 19, 2002.

Failure to adopt a tax budget could result in a delay of funding from the County. The Village's management should take steps to ensure a tax budget is adopted and submitted in a timely manner.

- B. Ohio Rev. Code, Section 5705.34, requires each taxing authority to pass a resolution to authorize the necessary tax levies and certify them to the County Auditor before October 1st each year. The Village did not certify the resolution for 2002 with the County Auditor.

Failure to authorize the necessary rates and certify them to the County Auditor before the required date could result in a delay in receiving funding from the County. The Village's management should take steps to ensure the necessary rates are authorized certified to the County Auditor by the required date.

- C. Ohio Rev. Code, Section 5705.36, requires the Village to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year on or about the first day of each fiscal year. The Village did not prepare or certify with the county auditor the Certificate of the Total Amount From All Sources Available for Expenditures, and Balances for both 2002 and 2001.

Failure to certify the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year could result in a delay of funding from the County. We recommend the Village complete and submit to the County Auditor on or about the first day of the fiscal year a Certificate of the Total Amount From All Sources Available for Expenditures, and Balances.

- D. Ohio Rev. Code, Section 5705.36, requires upon the determination by a fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in the official certificate, the fiscal officer may certify the amount of the deficiency or excess to the budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

During the audit period, variances were found between actual receipts and estimated resources. During 2001, the Village's actual disbursements plus encumbrances exceeded actual receipts plus unencumbered fund balance. If estimated resources exceed receipts, the Village could appropriate/expend more funds than they actually have available. If estimated resources are less than actual receipts, the Village may not utilize funds than they actually have available to appropriate/expend. We recommend the Village obtain amended certificates that are reflective of actual receipts.

FINDING NUMBER 2002-001
(Continued)

- E. Ohio Rev. Code, Section 5705.38, requires a taxing authority to pass an annual appropriation measure on or about the first day of each fiscal year. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting ordinary expenses until April 1.

The Village did not pass 2002 and 2001 annual appropriations until April 17, 2002 and May 5, 2001, respectively.

Failure to adopt a permanent or a temporary appropriation measure on or about the first day of the fiscal year and to adopt a permanent appropriation measure by April 1 could cause the Village to make illegal expenditures. The Village's management should take steps to ensure an annual appropriation measure is adopted and passed on or about the first day of the fiscal year. If a permanent appropriation measure is not adopted on or about the first day of the fiscal year, a temporary appropriation measure should be passed and a permanent appropriation measure should be passed by April 1 each year.

- F. Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In 2001, appropriations exceeded estimated revenue by \$6,800 in the General Fund. In addition, the Village utilized annual appropriation measures for 2002 and 2001 before certifying them to the county auditor.

Failure to properly amend estimated resources and to allow appropriations to exceed estimated resources could cause the Village to make illegal expenditures. Appropriations that exceed estimated revenues could result in expending more funds than they actually have available. We recommend the Village adopt procedures to ensure appropriations do not exceed the official estimate resources. We also recommend the Village obtain the certificate that the total appropriations from each fund do not exceed the total official estimated or amended certificate from the County Auditor.

- G. Ohio Rev. Code, Section 5705.41(B), states no taxing authority shall make any expenditures of money unless it has been appropriated. The Village did not properly amend appropriations. The amounts listed on the annual appropriations were not properly reflected in the appropriation ledger and did not match the meeting minutes. Similarly, the supplemental appropriation amounts were not properly reflected in the appropriation ledger and did not match meeting minutes. In addition, supplemental appropriation amendments were not certified to the County Auditor.

Failure to accurately promptly post appropriations and supplemental appropriations to the system makes it difficult to monitor expenditures versus appropriations and estimated resources versus appropriations. In addition, failure to properly monitor appropriations and amended appropriations within the legal level of control could result in illegal expenditures. We recommend the Village use the amounts listed in the appropriation resolutions and supplemental appropriation amendments to input appropriation amounts into the system that correctly reflect the amounts approved in the meeting minutes. We also recommend the Village take steps to ensure appropriations are being properly monitored and no expenditures are made unless there are sufficient appropriations to cover the expenditures.

FINDING 2002-002

Noncompliance and Reportable Condition – Certification of Available Funds

Ohio Rev. Code, Section 5705.41 (D), requires that 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 that 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. The certificate needs to be signed only by the subdivision fiscal officer. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars, the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for thirty-two percent of its expenditures tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend the Village obtain approved purchase orders, which contain the fiscal officer’s certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

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**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30483-001	The Village did not withhold Medicare taxes from employee's payroll for 1999 and 2000.	No	Partially corrected, re-issued in the management letter
2000-30483-002	The Village employees were not members of OPERS for 1999 and 2000.	Yes	
2000-30483-003	Certification of funds available	No	Re-issued as finding 2002-002
2000-30483-004	The Village did not issue W-2 to its employees during 1999.	Yes	
2000-30483-005	The Village's appropriations exceeded estimated revenue,	No	Re-issued as part of finding 2002-001.



**Auditor of State
Betty Montgomery**

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VILLAGE OF BUTLERVILLE

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 22, 2003**