



Mary Taylor, CPA
Auditor of State

VILLAGE OF BURGOON
SANDUSKY COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Burgoon
Sandusky County
2580 Zilphia Street
P.O. Box 56
Burgoon, Ohio 43407-0056

To the Governing Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

September 17, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Burgoon
Sandusky County
2580 Zilphia Street
P.O. Box 56
Burgoon, Ohio 43407-0056

To the Governing Board:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005, or its changes in financial position or cash flows, where applicable for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Burgoon, Sandusky County, as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

September 17, 2007

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

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

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Local Taxes | \$12,160 | | \$12,160 |
| Intergovernmental | 12,811 | \$9,682 | 22,493 |
| Earnings on Investments | 75 | 75 | 150 |
| Miscellaneous | 24 | | 24 |
| | <u>25,070</u> | <u>9,757</u> | <u>34,827</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 2,314 | | 2,314 |
| Public Health Services | 64 | | 64 |
| Leisure Time Activities | 2,521 | | 2,521 |
| Community Environment | 123 | | 123 |
| Basic Utility Service | 6,547 | | 6,547 |
| Transportation | | 9,775 | 9,775 |
| General Government | 13,655 | | 13,655 |
| | <u>25,224</u> | <u>9,775</u> | <u>34,999</u> |
| Total Receipts (Under) Disbursements | <u>(154)</u> | <u>(18)</u> | <u>(172)</u> |
| Fund Cash Balances, January 1 | <u>14,747</u> | <u>53,445</u> | <u>68,192</u> |
| Fund Cash Balances, December 31 | <u>\$14,593</u> | <u>\$53,427</u> | <u>\$68,020</u> |

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

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Proprietary Fund Type |
|--|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$15,603 |
| Operating Cash Disbursements: | |
| Personal Services | |
| Transportation | 298 |
| Contractual Services | 12,013 |
| Supplies and Materials | 204 |
| Total Operating Cash Disbursements | 12,515 |
| Operating Income | 3,088 |
| Non-Operating Cash Receipts: | |
| Intergovernmental | 448,791 |
| Non-Operating Cash Disbursements: | |
| Capital Outlay | 440,391 |
| Net Receipts Over Disbursements | 11,488 |
| Fund Cash Balance, January 1 | 23,117 |
| Fund Cash Balance, December 31 | \$34,605 |

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

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Burgoon, Sandusky County, (the Village) as a body corporate and politic. A publicly-elected five-member Council directs the Village. The Village provides fire protection and police services. The Village contracts with the Sandusky County Sheriff's department to provide security of persons and property. The Village contracts with Bettsville Volunteer Fire Department to receive fire protection services.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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 BURGOON
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. 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 Fund:

Construction Fund - This fund receives Community Development Block Grant and loan proceeds from the Ohio Water Development Authority to finance a sewer project.

D. 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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2005 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

2. EQUITY IN POOLED CASH

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

| | |
|---|-----------|
| | 2005 |
| Demand deposits | \$93,905 |
| Funds on deposit with Sandusky County Treasurer | 8,720 |
| Total deposits | \$102,625 |

Deposits are insured by the Federal Depository Insurance Corporation. Funds on deposit with the County Treasurer are held in the County's cash and investment pool. The County Treasurer is responsible for obtaining sufficient collateral for such funds.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2005, follows:

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$24,429 | \$25,070 | \$641 |
| Special Revenue | 7,000 | 9,757 | 2,757 |
| Enterprise | 469,091 | 464,394 | (4,697) |
| Total | \$500,520 | \$499,221 | (\$1,299) |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$39,173 | \$25,224 | \$13,949 |
| Special Revenue | 52,727 | 9,775 | 42,952 |
| Enterprise | 470,509 | 452,906 | 17,603 |
| Total | \$562,409 | \$487,905 | \$74,504 |

Contrary to Ohio law, expenditure transactions were not certified by the fiscal officer at the time the commitment was incurred.

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

4. PROPERTY TAX

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.

Unpaid sewer fees owed by residents of the Village are included on the tax bills the resident receives from the County.

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.

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

5. DEBT

Debt outstanding at December 31, 2005, was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|------------------|----------------------|
| Ohio Water Development Authority Loan #4086 | <u>\$381,747</u> | 1.9% |

The Ohio Water Development Authority (OWDA) loan relates to a wastewater treatment system project. This loan paid off the previous OWDA planning and design loans, and provided additional funds for the Village to use for the wastewater treatment system project. OWDA approved up to \$535,000 in loans to the Village for this project. The Village will repay the loan in one balloon payment due July 1, 2007. As of December 31, 2005, capitalized interest owed by the Village is \$4,629. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

| | |
|--------------------------|------------------|
| Year ending December 31: | <u>OWDA Loan</u> |
| 2007 | <u>\$381,747</u> |

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

6. 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 the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005, OPERS members contributed 8.5% of their gross salaries and the Village contributed an amount equaling 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions; and
- Workers compensation and employers' liability.

8. SUBSEQUENT EVENTS

On January 19, 2007, the Village entered in to a \$535,000 Sanitary Sewer System Mortgage Revenue Bonds, Series 2007. With the United States of America purchasing all of the Bonds, the Bonds are initially issued as a single Bond in the denomination of \$535,000, registered as to both principal and interest in the name of "United States of America". The Bonds mature in installments commencing on January 1, 2008, through January 1, 2047.

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Mary Taylor, CPA

Auditor of State

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

Village of Burgoon
Sandusky County
2580 Zilphia Street
P.O. Box 56
Burgoon, Ohio 43407-0056

To the Governing Board:

We have audited the financial statements of the Village of Burgoon, Sandusky County, (the Village) as of and for the year ended December 31, 2005, and have issued our report thereon dated September 17, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable conditions 2005-001 and 2005-002 listed above to be material weaknesses. In a separate letter to the Village's management dated September 17, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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, providing an opinion 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Village's management dated September 17, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Governing Board. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

September 17, 2007

VILLAGE OF BURGOON
SANDUSKY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Noncompliance Citation/Material Weakness

Ohio Revised Code §5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such 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 fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Council.

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 specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – Council 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 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.

**FINDING NUMBER 2005-001
(Continued)**

All of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and that Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Fiscal Officer and recorded against appropriations.

Officials Response: We did not receive a response from Officials to the finding reported above.

FINDING NUMBER 2005-002

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required audit adjustments. Proceeds from OWDA loans were not posted (\$137,081).

Sound financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions.

Officials Response: We did not receive a response from Officials to the finding reported above.

VILLAGE OF BURGOON
SANDUSKY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2004-001 | Ohio Revised Code §5705.41(D)(1), Failure to certify expenditures. | Not corrected. | Repeated as Finding #2005-001. |



Mary Taylor, CPA
Auditor of State

VILLAGE OF BURGOON

SANDUSKY 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
OCTOBER 9, 2007**