

VILLAGE OF BUTLERVILLE

WARREN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011



Dave Yost • Auditor of State

Village Council
Village of Butlerville
8516 Walnut Street
P.O. Box 85
Pleasant Plain, Ohio 45162

We have reviewed the *Independent Auditors' Report* of the Village of Butlerville, Warren County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2011 through December 31, 2012. 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 Butlerville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 17, 2014

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**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

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Manning & Associates

Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

INDEPENDENT AUDITORS' REPORT

Village of Butlerville
8516 Walnut Street
PO Box 85
Pleasant Plain, Ohio 45162

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Butlerville, Warren County, Ohio, (the Village), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1, 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effect of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Butlerville, Warren County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Butlerville, Warren County, adopted new accounting guidance in Governmental Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2013, 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. 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.

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Manning & Associates CPAs, LLC
Dayton, Ohio

July 23, 2013

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**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 2,538	\$ 0	\$ 2,538
Intergovernmental Receipts	3,710	8,582	12,292
Fines, Licenses and Permits	5,683	0	5,683
<i>Total Cash Receipts</i>	<u>\$ 11,931</u>	<u>\$ 8,582</u>	<u>\$ 20,513</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	\$ 1,896	\$ 1,760	\$ 3,656
General Government	6,479	0	6,479
<i>Total Cash Disbursements</i>	<u>\$ 8,375</u>	<u>\$ 1,760</u>	<u>\$ 10,135</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>3,556</u>	<u>6,822</u>	<u>10,378</u>
Fund Cash Balances, January 1	<u>\$ 8,465</u>	<u>\$ 45,145</u>	<u>\$ 53,610</u>
Fund Cash Balances, December 31			
Restricted	0	51,967	51,967
Unassigned (Deficit)	<u>12,021</u>	<u>0</u>	<u>12,021</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 12,021</u>	<u>\$ 51,967</u>	<u>\$ 63,988</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 3,692	\$ 0	\$ 3,692
Intergovernmental Receipts	3,645	10,054	13,699
Fines, Licenses and Permits	5,383	0	5,383
Miscellaneous	6	0	6
<i>Total Cash Receipts</i>	<u>\$ 12,726</u>	<u>\$ 10,054</u>	<u>\$ 22,780</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	\$ 3,737	\$ 1,806	\$ 5,543
Transportation	0	2,440	2,440
Capital Outlay	0	0	0
General Government	5,584	0	5,584
<i>Total Cash Disbursements</i>	<u>\$ 9,321</u>	<u>\$ 4,246</u>	<u>\$ 13,567</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>3,405</u>	<u>5,808</u>	<u>9,213</u>
<i>Fund Cash Balances, January 1</i>	<u>\$ 5,060</u>	<u>\$ 39,337</u>	<u>\$ 44,397</u>
Fund Cash Balances, December 31			
Restricted	0	45,145	45,145
Unassigned (Deficit)	<u>8,465</u>	<u>0</u>	<u>8,465</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 8,465</u></u>	<u><u>\$ 45,145</u></u>	<u><u>\$ 53,610</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 Butlerville, Warren County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance and repair. The Village contracts with the Warren County Sheriff's Department for provide security of persons and property. Harlan Township provides fire protection services.

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 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. Cash and Investments

The Village maintains a checking account with a local commercial bank.

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:

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.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds

These funds 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.

E. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled, and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balances

During 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. 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.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balances (Continued)

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

	<u>2012</u>	<u>2011</u>
Demand Deposits	\$ <u>63,988</u>	\$ <u>53,610</u>
Total Deposits	\$ <u>63,988</u>	\$ <u>53,610</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2012 was as follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 11,931	\$ 11,931
Special Revenue	0	8,582	8,582
Total	\$ 0	\$ 20,513	\$ 20,513

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 8,375	\$ (8,375)
Special Revenue	0	1,760	(1,760)
Total	\$ 0	\$ 10,135	\$ (10,135)

Budgetary activity for the year ending December 31, 2011 was as follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 12,726	\$ 12,726
Special Revenue	0	10,054	10,054
Total	\$ 0	\$ 22,780	\$ 22,780

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 9,321	\$ (9,321)
Special Revenue	0	4,246	(4,246)
Total	\$ 0	\$ 13,567	\$ (13,567)

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

4. BUDGETARY COMPLIANCE

Ohio Rev. Code Section 5705.38 requires the annual appropriation measure to be passed on or amount the first day of each fiscal year. Contrary to this law, we found no evidence to suggest that the Village passed the required annual appropriation measure in 2012 or 2011.

Ohio Rev. Code, Section 5705.41(B), states in part that no subdivision or taxing unit is to expend money unless it has been appropriated. Contrary to this law, the Village's expenditures exceeded appropriations in all funds in 2012 and 2011 as a result of the not certifying appropriations to the County Auditor for 2012 or 2011.

Ohio Rev. Code, Section 5705.36(A)(1), provides in part that on or about the first day of each fiscal year, the Fiscal Officer of each subdivision and other taxing entity shall certify to the County Auditor the total amount from all sources available for expenditure from each fund set up in the tax budget. Contrary to this law, we found no evidence to suggest that the Village filed a Certificate of Estimated Resources with the County Auditor in 2012 or 2011.

5. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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 payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. 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.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

6. RISK MANAGEMENT

The Village has obtained commercial insurance through private companies for the following risks:

General liability	\$ 1,000,000
Personal and Advertising Injury	500,000
Medical Expense (per person)	5,000
Damages to premises	100,000

There have been no significant reductions in insurance coverage during 2012 or 2011. Settled claims have not exceeded commercial excess coverage in any of the past three year.

7. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contributions rates. For 2012 and 2011, OPERS participants contributed 10.0 percent of their wages and the Village contributed an amount equal to 14.0 percent of covered payroll, respectively. The Village has paid all contributions required through December 31, 2012.

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Manning & Associates
Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

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

Village of Butlerville
Warren County
8516 Walnut Street
PO Box 85
Pleasant Plain, Ohio 45162

To the Mayor and Members of 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 Village of Butlerville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated July 23, 2013, wherein we noted the Village followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village, in 2011, adopted Government Accounting Standard Number 54, *Fund Balance and Governmental Fund Type Definitions*.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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. We consider findings 2012-001, 2012-003, 2012-005, and 2012-006 described in the accompanying schedule of findings to be material weaknesses.

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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, 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 is described in the accompanying schedule of findings as Findings Number 2012-001 through 2012-004, and 2012-006.

We also noted certain matters not requiring inclusion in the report that we reported to the Village's management in a separate letter dated July 23, 2013.

Entity's Response to Findings

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

Purpose of the 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.

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Manning & Associates CPAs, LLC
Dayton, Ohio

July 23, 2013

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Weakness - Village Books and Records

Ohio Rev. Code, Section 733.28, requires, in part, that the village fiscal officer shall keep the books of the village and exhibit accurate statements of all moneys received and expended.

At December 31, 2012, the Village's unadjusted fund balances per the UAN system were greater than their adjusted bank balance by \$661. At December 31, 2011, the Village's unadjusted fund balances per the UAN system were greater than their adjusted bank balance by \$1,312. During testing of receipts we noted that the Village did not properly record several receipts for revenue received or recorded in incorrect time periods. Adjustments were made to the Village's financial statements for these items.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution. We recommend the Fiscal Officer properly reconcile the Village's accounts on a monthly basis. Any variances should be immediately investigated and justified. We also recommend that Council or an appointee of Council, review and sign off on the reconciliation thereby indicating approval and promoting timeliness of reconciliations.

The Village reported incorrect receipts for certain line items and fund balances on their financial statements.

- Bank reconciliations included other adjusting factors noted on the December 31, 2012 and 2011 bank reconciliations could not be traced to actual deposits in transit or support for reconciling items. Cash balances were overstated by \$661 and \$1,312 for 2012 and 2011, respectively.
- Timeliness of deposits; deposits should be made timely in accordance with ORC 9.38
- Miscellaneous receipts were posted as other financing sources, requiring adjustments.
- Intergovernmental receipts were posted as property and other local taxes and miscellaneous Receipts, requiring adjustments.
- Duplicate receipts were recorded

Sound financial reporting is the responsibility of the Fiscal Officer and Members of Council and is essential to ensuring the information provided to the readers of the financial statements is complete and accurate. All of these conditions reveal a lack of control over and monitoring of the recording and reporting of the Village's financial activity and resulted in inaccurate accounting records.

Officials Response: We did not receive a response from the Officials to this finding

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. 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 that both at the time that the contract or order was made (then) and at the time the fiscal officer is completing the certification (now), that 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 that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the Village.
2. **Blanket certificate** – Fiscal officers may prepare "blanket" against any specific line item account over a period exceeding three months or running beyond the current 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.
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 one line item appropriation.

Contrary to this requirement, the Village failed to properly certify expenditures prior to incurring the expenses tested in 2012 and 2011. The corresponding purchase orders for these expenses were issued after the incurrence of the expense without being certified as "then and now."

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-002, Continued

To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Village’s Fiscal Officer certify that 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, where allowable.

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 that Village obtain a proper and approved purchase order, including amounts, 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. We further recommend that the Fiscal Officer issue blanket or super blanket purchase orders for qualifying expenses if the purchase order is to be used for more than one invoice.

Officials Response: We did not receive a response from the Officials to this finding

FINDING NUMBER 2012-003

Material Weakness, Noncompliance Citation

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. 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 the ordinary expenses until no later than April 1. **Further, Ohio Rev. Code, Section 5705.41(B)**, prohibits a subdivision from making any expenditure unless it has been properly appropriated. The Village did not approve in the minutes or file with the County Auditor appropriations for either year of the audit period. As such, the following funds had expenditures which exceeded appropriations:

Fund	Appropriations	Expenditures	Variance
2012			
General	0	\$8,375	(\$8,375)
Street Construction	0	1,760	(1,760)
2011			
General	0	\$9,321	(\$9,321)
Street Construction	0	4,246	(4,246)

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-003, Continued

Failure of the Village to approve and file appropriations does not allow for the Village Officials to monitor its budgetary position. In addition, failure to monitor budgetary activity can result in overspending and negative fund balances. We recommend the Fiscal Officer deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. The management of the Village should monitor the Village's budgetary receipts and expenditures by having the Fiscal Officer provide budgetary reports at least quarterly to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

Officials Response: We did not receive a response from the Officials to this finding

FINDING NUMBER 2012-004

Noncompliance Citation

Ohio Rev. Code, Section 5705.28(A)(1), states on or before July 15, of each year, the taxing authority of each subdivision or other taxing unit must adopt a tax budget for the succeeding fiscal year.

In addition, **Ohio Rev. Code, Section 5705.34**, states in part that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner.

Ohio Rev. Code, Section 5705.36(A)(1), provides in part that on or about the first day of each fiscal year, the Fiscal Officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. This certified amount shall include any unencumbered fund balances that existed at the end of the preceding year.

The Village adopted a tax budget in 2012 and 2011 but did not certify the tax budget with the County Budget Commission. Further, the Village did not certify the total amount from all sources available for expenditures for 2012 and 2011, or the balances that existed at the end of 2011 and 2010.

Since the Village's local government monies from the County Auditor are contingent upon the tax budget's completion and submission, we recommend that the budgets are approved and submitted by the required dates each year. We also recommend that tax rates are approved by the dates required.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-004, (Continued)

In addition, 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.

Officials Response: We did not receive a response from the Officials to this finding

FINDING NUMBER 2012-005

Material Weakness - Lack of Effective Monitoring/Oversight

The Village has not implemented an effective monitoring control system to assist management in detecting material misstatements in financial or other information. The failure of the Village's governing body to monitor the financial activity of the Village could result in financial objectives not being achieved; the violation of Ohio Rev. Code laws, Village Ordinances, grant requirements, or debt covenants; or errors and/or irregularities occurring and not being detected in a timely manner.

Proper monitoring and oversight are the responsibility of management. Numerous material misstatements were noted during the audit period which could have been prevented or detected if an effective monitoring system were in place. The Village should develop and implement a monitoring control system to ensure proper oversight and determine that material misstatements or misappropriation of assets do not occur.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls should assist management in detecting material misstatements in the financial or other information presented. We recommend Council to establish and implement monitoring controls to ensure accounting records are properly designed.

Officials Response: We did not receive a response from the Officials to this finding

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-006

Ohio Admin Code Section 117-2 provides that the Fiscal Officer shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code.

Lack of organization of accounting records and supporting documentation - The fiscal officer could not locate vendor invoices to support the expenditures for 2012, with the exception of three expenditures. Failure to maintain original supporting documentation could lead to expenditures being made to fictitious vendors and for items that are not considered a proper public purchase. Failure to maintain documentation indicates noncompliance with Ohio Revised Code section 149.42 and 149.43. Alternate audit procedures were applied to transactions tested.

A copy of all payroll tax filings should be retained for Village records. Payroll taxes should be properly and timely filed and submitted to the taxing authority. Late filings and incorrect filings may lead to penalties assessed to the Village.

We recommend the fiscal officer organize and maintain all Village records to support transactions of Village activities.

Officials Response: We did not receive a response from the Officials to this finding

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2010-001	ORC Sec. 733.28 - Village did not exhibit accurate statements of all moneys received and expended for 2010 and 2009	No	Reissued as Finding Number 2012-001
2010-002	ORC Sec. 5705.41(D) Purchase Orders not approved prior to the incurrence of all expenses	No	Reissued as Finding Number 2012-002
2010-003	ORC 5705.38(A) - Appropriations were not approved in the minutes or filed with the County Auditor for 2010 or 2009	No	Reissued as Finding Number 2012-003
2010-004	ORC 5705.36(A)(1) - Tax budget was not properly adopted and filed with the County Budget Commission	No	Reissued as Finding Number 2012-004
2010-005	Effective Monitoring/Oversight Control System	No	Reissued as Finding Number 2012-005

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Dave Yost • Auditor of State

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 29, 2014