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Marietta, OH 45750  
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1907 Grand Central Ave.  
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1310 Market Street, Suite 300  
Wheeling, WV 26003  
304.232.1358



Certified Public Accountants, A.C.

**VILLAGE OF BURGOON  
SANDUSKY COUNTY  
Regular Audit**

**For the Years Ended December 31, 2016 and 2015**

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- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

Village Council  
Village of Burgoon  
2580 Zilphia Street  
PO Box 56  
Burgoon, Ohio 43407

We have reviewed the *Independent Auditor's Report* of the Village of Burgoon, Sandusky County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. 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 Burgoon is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

September 29, 2017

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VILLAGE OF BURGOON  
SANDUSKY COUNTY

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## INDEPENDENT AUDITOR'S REPORT

August 28, 2017

Village of Burgoon  
Sandusky County  
2580 Zilphia Street  
P.O. Box 56  
Burgoon, OH 43407

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Burgoon**, Sandusky County, (the Village) as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Burgoon, Sandusky County as of December 31, 2016 and 2015, 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(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF BURGOON  
SANDUSKY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 22,023	\$ 2,073	\$ 24,096
Intergovernmental	10,365	6,666	17,031
Fines, Licenses and Permits	884	-	884
Earnings on Investments	176	176	352
	<u>33,448</u>	<u>8,915</u>	<u>42,363</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	4,088	-	4,088
Leisure Time Activities	3,767	-	3,767
Basic Utility Services	6,000	-	6,000
Transportation	-	163	163
General Government	13,872	-	13,872
Capital Outlay	2,039	-	2,039
	<u>29,766</u>	<u>163</u>	<u>29,929</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over Disbursements</i>	<u>3,682</u>	<u>8,752</u>	<u>12,434</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	62	-	62
Other Financing Uses	(271)	-	(271)
	<u>(209)</u>	<u>-</u>	<u>(209)</u>
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	3,473	8,752	12,225
<i>Fund Cash Balances, January 1</i>	<u>32,769</u>	<u>70,005</u>	<u>102,774</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	78,757	78,757
Assigned	21,210	-	21,210
Unassigned	15,032	-	15,032
	<u>36,242</u>	<u>78,757</u>	<u>114,999</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 36,242</u>	<u>\$ 78,757</u>	<u>\$ 114,999</u>

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

**VILLAGE OF BURGOON  
SANDUSKY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 57,171
<i>Total Operating Cash Receipts</i>	57,171
<b>Operating Cash Disbursements</b>	
Personal Services	1,210
Employee Fringe Benefits	42
Contractual Services	12,943
Supplies and Materials	4,686
<i>Total Operating Cash Disbursements</i>	18,881
<i>Operating Income</i>	38,290
<b>Non-Operating (Disbursements)</b>	
Principal Retirement	(9,655)
Interest and Other Fiscal Charges	(20,673)
Other Financing Uses	(475)
<i>Total Non-Operating (Disbursements)</i>	(30,803)
<i>Income before Transfers</i>	7,487
Transfers In	30,000
Transfers Out	(30,000)
<i>Net Change in Fund Cash Balances</i>	7,487
<i>Fund Cash Balances, January 1</i>	138,597
<i>Fund Cash Balances, December 31</i>	<b>\$ 146,084</b>

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

**VILLAGE OF BURGOON**  
*SANDUSKY COUNTY*  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED DECEMBER 31, 2016*

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**Note 1 – Reporting Entity**

The Village of Burgoon (the Village), Sandusky County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities. The Village contracts with the Village of Bettsville to provide sewer utilities.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

***Sewer Operating Fund*** – The Sewer Operating Fund receives charges for services from residents to cover sewer service costs.

***Sewer Reserve Fund*** – The Sewer Reserve Fund receives transfers from the Sewer Fund to reserve funds for maintenance and repairs for the sewer.

***Sewer Sinking Fund*** – The Sewer Sinking Fund receives transfers from the Sewer Fund to pay principle and interest on the Sanitary Sewer Revenue Bonds.

**VILLAGE OF BURGOON**  
*SANDUSKY COUNTY*  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Budgetary Process***

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. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of 2016 budgetary activity appears in Note 4.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

**VILLAGE OF BURGOON**  
SANDUSKY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

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

***Nonspendable*** – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** – Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

**Note 3 – Compliance**

Contrary to Ohio law, appropriations exceeded estimated resources in 2016 in the Sewer Sinking Fund by \$2,651.

Contrary to Ohio law, disbursements were not always properly encumbered in 2016.

**VILLAGE OF BURGOON**  
**SANDUSKY COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(Continued)

**Note 4 – Budgetary Activity**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 28,959	\$ 33,510	\$ 4,551
Special Revenue	9,200	8,915	(285)
Enterprise	85,000	87,171	2,171
Total	\$ 123,159	\$ 129,596	\$ 6,437

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 60,418	\$ 30,037	\$ 30,381
Special Revenue	31,000	163	30,837
Enterprise	126,977	79,684	47,293
Total	\$ 218,395	\$ 109,884	\$ 108,511

**Note 5 - Deposits**

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

	2016
Demand deposits	\$ 261,083
Total deposits	\$ 261,083

**Deposits**

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

**Note 6 – Taxes**

**Property Taxes**

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

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

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

**VILLAGE OF BURGOON**  
**SANDUSKY COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
*(Continued)*

**Note 7 – Risk Management**

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability,
- Vehicles; and
- Errors and omissions.

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

***Social Security***

Village Council Members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 9 – Postemployment Benefits**

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

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest
Sewer System Mortgage Revenue Bonds	\$ 481,800	4.125%
Ohio Water Development Authority Loan	46,997	1.00%
	\$ 528,797	

**VILLAGE OF BURGOON**  
**SANDUSKY COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
*(Continued)*

**Note 10 – Debt (Continued)**

The Ohio Water Development Authority (OWDA) loan #4579 relates to a sewer system construction project the Ohio Environment Protection Agency mandated. The OWDA approved \$65,722 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$1,270.50, including interest, over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The United States Department of Agriculture Sanitary Sewer Revenue Bonds relate to a wastewater treatment system project. The USDA approved \$535,000 in bonds to the Village for this project. The Village will repay the bonds in annual installments over 39 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the bond requirements.

The sanitary sewer revenue bond covenant requires the Village to establish and fund a sewer reserve fund, a sewer sinking fund, and sewer surplus fund. The balance in the sewer reserve fund at December 31, 2016 is \$30,408. The balance in the sewer sinking fund at December 31, 2016 is \$31,291.

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

Year ending December 31:	Mortgage Revenue Bonds	OWDA Loan
2017	\$ 27,874	\$ 2,541
2018	27,744	2,541
2019	27,906	2,541
2020	27,743	2,541
2021	27,880	2,541
2022-2026	139,087	12,706
2027-2031	139,056	12,706
2032-2036	139,078	12,706
2037-2041	139,161	1,271
2042-2046	139,071	-
2047	27,801	-
Total	<u>\$ 862,401</u>	<u>\$ 52,094</u>

**Note 11 – Related Party Transactions**

The Village independently contracts with a direct relative of the Mayor to perform sewer billing services. The Village paid \$580 for this service in 2016.



**VILLAGE OF BURGOON  
SANDUSKY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 19,984	\$ 1,696	\$ 21,680
Intergovernmental	9,543	6,722	16,265
Fines, Licenses and Permits	803	-	803
Earnings on Investments	185	156	341
<i>Total Cash Receipts</i>	<u>30,515</u>	<u>8,574</u>	<u>39,089</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	4,299	-	4,299
Leisure Time Activities	2,828	-	2,828
Basic Utility Services	6,000	-	6,000
Transportation	-	6,424	6,424
General Government	14,855	-	14,855
<i>Total Cash Disbursements</i>	<u>27,982</u>	<u>6,424</u>	<u>34,406</u>
<i>Excess of Receipts Over Disbursements</i>	<u>2,533</u>	<u>2,150</u>	<u>4,683</u>
<b>Other Financing (Disbursements)</b>			
Other Financing Uses	(482)	-	(482)
<i>Total Other Financing (Disbursements)</i>	<u>(482)</u>	<u>-</u>	<u>(482)</u>
<i>Net Change in Fund Cash Balances</i>	2,051	2,150	4,201
<i>Fund Cash Balances, January 1</i>	<u>30,718</u>	<u>67,855</u>	<u>98,573</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	70,005	70,005
Assigned	31,151	-	31,151
Unassigned	1,618	-	1,618
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 32,769</u></u>	<u><u>\$ 70,005</u></u>	<u><u>\$ 102,774</u></u>

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

**VILLAGE OF BURGOON  
SANDUSKY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 50,535
<i>Total Operating Cash Receipts</i>	50,535
<b>Operating Cash Disbursements</b>	
Personal Services	1,190
Contractual Services	27,781
Supplies and Materials	2,440
<i>Total Operating Cash Disbursements</i>	31,411
<i>Operating Income</i>	19,124
<b>Non-Operating (Disbursements)</b>	
Principal Retirement	(9,335)
Interest and Other Fiscal Charges	(20,995)
<i>Total Non-Operating (Disbursements)</i>	(30,330)
<i>(Loss) before Transfers</i>	(11,206)
Transfers In	37,029
Transfers Out	(37,029)
<i>Net Change in Fund Cash Balances</i>	(11,206)
<i>Fund Cash Balances, January 1</i>	149,803
<i>Fund Cash Balances, December 31</i>	<b>\$ 138,597</b>

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

**VILLAGE OF BURGOON**  
**SANDUSKY COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

---

**Note 1 – Reporting Entity**

The Village of Burgoon (the Village), Sandusky County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities. The Village contracts with the Village of Bettsville to provide sewer utilities.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

***Sewer Operating Fund*** – The Sewer Operating Fund receives charges for services from residents to cover sewer service costs.

***Sewer Reserve Fund*** – The Sewer Reserve Fund receives transfers from the Sewer Fund to reserve funds for maintenance and repairs for the sewer.

***Sewer Sinking Fund*** – The Sewer Sinking Fund receives transfers from the Sewer Fund to pay principle and interest on the Sanitary Sewer Revenue Bonds.

**VILLAGE OF BURGOON**  
*SANDUSKY COUNTY*  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Budgetary Process***

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. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of 2015 budgetary activity appears in Note 4.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

**VILLAGE OF BURGOON**  
SANDUSKY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Fund Balance**

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

***Nonspendable*** – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** – Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

**Note 3 – Compliance**

Contrary to Ohio law, appropriations exceeded estimated resources in 2015 in the General and Sewer Sinking Funds by \$2,095 and \$3,026 respectively.

Contrary to Ohio law, disbursements were not always properly encumbered in 2015.

**VILLAGE OF BURGOON**  
**SANDUSKY COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(Continued)

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 29,029	\$ 30,515	\$ 1,486
Special Revenue	10,000	8,574	(1,426)
Enterprise	67,000	87,564	20,564
Total	\$ 106,029	\$ 126,653	\$ 20,624

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 61,842	\$ 28,464	\$ 33,378
Special Revenue	48,000	6,424	41,576
Enterprise	107,948	98,770	9,178
Total	\$ 217,790	\$ 133,658	\$ 84,132

**Note 5 - Deposits**

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

	2015
Demand deposits	\$ 241,371
Total deposits	\$ 241,371

**Deposits**

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

**Note 6 – Taxes**

**Property Taxes**

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

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

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

**VILLAGE OF BURGOON**  
**SANDUSKY COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
*(Continued)*

**Note 7 – Risk Management**

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability,
- Vehicles; and
- Errors and omissions.

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

***Social Security***

Village Council Members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Note 9 – Postemployment Benefits**

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

**Note 10 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest
Sewer System Mortgage Revenue Bonds	\$ 489,400	4.125%
Ohio Water Development Authority Loan	49,052	1.00%
	\$ 538,452	

**VILLAGE OF BURGOON**  
**SANDUSKY COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
*(Continued)*

**Note 10 – Debt (Continued)**

The Ohio Water Development Authority (OWDA) loan #4579 relates to a sewer system construction project the Ohio Environment Protection Agency mandated. The OWDA approved \$65,722 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$1,270.50, including interest, over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The United States Department of Agriculture Sanitary Sewer Revenue Bonds relate to a wastewater treatment system project. The USDA approved \$535,000 in bonds to the Village for this project. The Village will repay the bonds in annual installments over 39 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the bond requirements.

The sanitary sewer revenue bond covenant requires the Village to establish and fund a sewer reserve fund, a sewer sinking fund, and sewer surplus fund. The balance in the sewer reserve fund at December 31, 2015 is \$30,408. The balance in the sewer sinking fund at December 31, 2015 is \$30,349.

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

<u>Year ending December 31:</u>	<u>Mortgage Revenue Bonds</u>	<u>OWDA Loan</u>
2016	\$ 27,787	\$ 2,541
2017	27,874	2,541
2018	27,744	2,541
2019	27,906	2,541
2020	27,743	2,541
2021-2025	139,078	12,706
2026-2030	139,118	12,706
2031-2035	139,113	12,706
2036-2040	139,097	3,812
2041-2045	139,066	-
2046-2047	55,663	-
Total	<u>\$ 890,189</u>	<u>\$ 54,635</u>

**Note 11 – Related Party Transactions**

A Village Council member is part owner of a company from which the Village acquired snow removal services during the year. The Village paid \$3,375 for this service in 2015. The Village also independently contracts with a direct relative of the Mayor to perform sewer billing services. The Village paid \$584 for this service in 2015.





313 Second St.  
Marietta, OH 45750  
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1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market St., Suite 300  
Wheeling, WV 26003  
304.232.1358

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

August 28, 2017

Village of Burgoon  
Sandusky County  
P.O. Box 56, 2580 Zilphia Street  
Burgoon, OH 43407

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the **Village of Burgoon**, Sandusky County (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 28, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings, that we consider material weaknesses. We consider findings 2016-001 and 2016-003 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 are described in the accompanying schedule of audit findings as items 2016-001 through 2016-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 28, 2017.

### **Purpose of this Report**

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
*Marietta, Ohio*

**VILLAGE OF BURGOON**  
SANDUSKY COUNTY  
*SCHEDULE OF AUDIT FINDINGS*  
*FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2016-001**

**Noncompliance/Material Weakness**

**Posting Receipts, Disbursements, and Fund Balance Classification**

The Village should have procedures and controls in place to prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2016 and 2015, receipts, disbursements, and fund balances were not always posted or classified correctly. The following posting errors were noted:

- **Ohio Revised Code Section 5705.10(D)** – A receipt for sewer charges assessed to taxes in the amount of \$2,087 was recorded as Property and Other Taxes in the General Fund instead of Charges for Services in the Sewer Operating Fund in 2016;
- Homestead rollback deductions in the amount of \$1,132 were incorrectly posted as a receipt and as a collection fee in the first property tax settlement in the General Fund in 2016;
- An outside building purchase in the amount of \$2,039 was recorded as Other Financing Uses instead of Capital Outlay in the General Fund in 2016;
- During 2016 and 2015, subsequent year appropriations over estimated receipts within the General Fund of \$21,210 and \$31,151, respectively, were classified as unassigned fund balance rather than assigned.

Not posting receipts, disbursements, and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The Village has made the adjustments to their accounting system. The financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Officer’s Handbook for guidance to determine the proper establishment of receipts and disbursement accounts and posting receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

**Officials’ Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2016-002**

**Noncompliance**

**Ohio Revised Code Section 5705.39** provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

Appropriations for the Sewer Sinking Fund exceeded estimated resources by \$2,651 at December 31, 2016.

Appropriations for the General and Sewer Sinking Funds exceeded estimated resources by \$2,095 and \$3,026, respectively, at December 31, 2015.

**VILLAGE OF BURGOON**  
**SANDUSKY COUNTY**  
**SCHEDULE OF AUDIT FINDINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2016-002 (Continued)**

**Noncompliance (Continued)**

Inadequate policies and procedures in reviewing and approving budgetary information resulted in these errors. Allowing appropriations to be higher than estimated resources increases the possibility appropriations may be unrealistically inflated which could result in deficit spending. Appropriations should have been reduced to the level of the resources available for appropriation. We recommend Council monitor appropriations and estimated resources throughout the year to ensure appropriations do not exceed the amount of estimated resources.

**Officials' Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2016-003**

**Noncompliance/Material Weakness**

**Ohio Revised 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 a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting 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. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify 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 collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**VILLAGE OF BURGOON**  
*SANDUSKY COUNTY*  
**SCHEDULE OF AUDIT FINDINGS**  
*FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-003 (Continued)**

**Noncompliance/Material Weakness (Continued)**

3. Super Blanket Certificate – The entity 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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 25% of the expenditures tested for 2016 and for 50% of the expenditures tested for 2015. In some instances “then and now” certificates were prepared, however the “then” date was not always prior to the invoice date.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

**Management’s Response** – We did not receive a response from officials to this finding.

**VILLAGE OF BURGOON**  
**SANDUSKY COUNTY**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	Ohio Revised Code Section 5705.39 – Appropriations Exceed Estimated Resources	No	Not Corrected; Repeated as Finding 2016-002
2014-002	Ohio Revised Code Section 5705.10(D) – Revenue Posted to Incorrect Funds	No	Not Corrected; Repeated as Finding 2016-001
2014-003	Financial Reporting	No	Not Corrected; Repeated as Finding 2016-001



# Dave Yost • 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 24, 2017