



Mary Taylor, CPA  
Auditor of State



VILLAGE OF BUCKLAND  
AUGLAIZE COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Village of Buckland  
Auglaize County  
105 North Main Street  
Buckland, Ohio 45819

To the Village Council:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 2, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Buckland  
Auglaize County  
105 North Main Street  
Buckland, Ohio 45819

To the Village Council:

We have audited the accompanying financial statements of the Village of Buckland, Auglaize County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Buckland, Auglaize County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

November 2, 2007

**VILLAGE OF BUCKLAND  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$5,671	\$693		\$6,364
Intergovernmental	74,180	12,244	\$13,717	100,141
Charges for Services	43,363			43,363
Licenses, Permits, and Fees	1,519			
Earnings on Investments	361	465		826
Miscellaneous	5,215			5,215
Total Cash Receipts	<u>130,309</u>	<u>13,402</u>	<u>13,717</u>	<u>155,909</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	45,592		32,000	77,592
Public Health Services	11			11
Leisure Time Activities	4,202			4,202
Basic Utility Service	1,533			1,533
Transportation	2,031	4,643	13,717	20,391
General Government	54,923			54,923
<b>Debt Service:</b>				
Redemption of Principal	12,811			12,811
Interest and Fiscal Charges	2,873			2,873
Total Cash Disbursements	<u>123,976</u>	<u>4,643</u>	<u>45,717</u>	<u>174,336</u>
Total Receipts Over/(Under) Disbursements	<u>6,333</u>	<u>8,759</u>	<u>(32,000)</u>	<u>(16,908)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In			5,014	5,014
Transfers-Out	(5,014)			(5,014)
Total Other Financing Receipts / (Disbursements)	<u>(5,014)</u>		<u>5,014</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,319	8,759	(26,986)	(16,908)
Fund Cash Balances, January 1	<u>38,197</u>	<u>45,367</u>	<u>27,180</u>	<u>110,744</u>
Fund Cash Balances, December 31	<u>\$39,516</u>	<u>\$54,126</u>	<u>\$194</u>	<u>\$93,836</u>

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

**VILLAGE OF BUCKLAND  
AUGLAIZE COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$5,671	\$656		\$6,327
Intergovernmental	73,558	9,433		82,991
Charges for Services	38,182			38,182
Licenses, Permits, and Fees	1,468			
Earnings on Investments	340	229		569
Miscellaneous	4,735			4,735
Total Cash Receipts	<u>123,954</u>	<u>10,318</u>		<u>132,804</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	40,647			40,647
Leisure Time Activities	4,153			4,153
Basic Utility Service	617			617
Transportation	2,500	5,704		8,204
General Government	48,546			48,546
<b>Debt Service:</b>				
Redemption of Principal	12,178			12,178
Interest and Fiscal Charges	3,506			3,506
Total Cash Disbursements	<u>112,147</u>	<u>5,704</u>		<u>117,851</u>
Total Receipts Over Disbursements	<u>11,807</u>	<u>4,614</u>		<u>16,421</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In			\$1,352	1,352
Transfers-Out	(1,352)			(1,352)
Total Other Financing Receipts / (Disbursements)	<u>(1,352)</u>		<u>1,352</u>	
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	10,455	4,614	1,352	16,421
Fund Cash Balances, January 1	<u>27,742</u>	<u>40,753</u>	<u>25,828</u>	<u>94,323</u>
Fund Cash Balances, December 31	<u>\$38,197</u>	<u>\$45,367</u>	<u>\$27,180</u>	<u>\$110,744</u>

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

**VILLAGE OF BUCKLAND  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Buckland, Auglaize County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including park operations, police services, fire protection services, refuse services, and street construction maintenance and repair. The Village contracts with the Cridersville Volunteer Fire Company to receive ambulance services.

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

**B. Accounting Basis**

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

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

**C. Cash and Investments**

The Village maintains all of its funds in an interest bearing checking account.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**Street Construction, Maintenance and Repair Fund** - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

VILLAGE OF BUCKLAND  
AUGLAIZE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fire Department Truck Fund** – This fund receives monies set aside for the purchase of a new fire truck.

**Issue II** - This fund receives Issue II funding for constructing, maintaining, and repairing Village streets.

**E. Budgetary Process**

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

1. **Appropriations**

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

2. **Estimated Resources**

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

3. **Encumbrances**

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

2. EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand deposits	<u>\$93,836</u>	<u>\$110,744</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF BUCKLAND  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2006 and 2005 follows:

**2006 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$141,521	\$130,309	(\$11,212)
Special Revenue	9,400	13,402	4,002
Capital Projects	5,014	18,731	13,717
Total	<u>\$155,935</u>	<u>\$162,442</u>	<u>\$6,507</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$157,286	\$128,990	\$28,296
Special Revenue	54,636	4,643	49,993
Capital Projects	32,343	45,717	(13,374)
Total	<u>\$244,265</u>	<u>\$179,350</u>	<u>\$64,915</u>

**2005 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$131,752	\$123,954	(\$7,798)
Special Revenue	11,150	10,318	(832)
Capital Projects	1,462	1,352	(110)
Total	<u>\$144,364</u>	<u>\$135,624</u>	<u>(\$8,740)</u>

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$159,493	\$113,499	\$45,994
Special Revenue	51,903	5,704	46,199
Capital Projects	27,290	0	27,290
Total	<u>\$238,686</u>	<u>\$119,203</u>	<u>\$119,483</u>

The Village failed to amend its certificate of estimated resources and appropriations resolution for Issue II money spent on behalf of the Village in 2006. As a result, Ohio Rev. Code Sections 5705.36 and 5705.40 were violated, respectively. Additionally, the Village failed to properly allocate interest among funds.

**VILLAGE OF BUCKLAND  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. PROPERTY TAX**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Lease Purchase Agreement	\$42,561	5%

The Lease/Purchase agreement is related to the purchase of an Emergency One American Eagle Fire Truck in June of 1999. The lease will be repaid in annual installments of \$15,684, including interest, over 10 years.

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

<b>Year ending December 31:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$13,475	\$2,209	\$15,684
2008	14,176	1,509	15,685
2009	14,910	774	15,684
Total	\$42,561	\$4,492	\$47,053

**6. RETIREMENT SYSTEMS**

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 contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF BUCKLAND  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2006 and 2005 (the latest information available):

	<u>2005</u>	<u>2006</u>
Assets	\$8,219,430	\$9,620,148
Liabilities	(2,748,639)	(3,339,620)
Members' Equity	<u>\$5,470,791</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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# Mary Taylor, CPA

Auditor of State

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

Village of Buckland  
Auglaize County  
105 North Main Street  
Buckland, Ohio 45819

To the Village Council:

We have audited the financial statements of Village of Buckland, Auglaize County (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 2, 2007 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-006.

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### **Internal Control Over Financial Reporting (Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiency that are also material weaknesses. However, of the significant deficiencies described above, we believe findings numbered 2006-002 through 2006-005 are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated November 2, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests discloses an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2006-001, 2006-004 through 2006-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 2, 2007.

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

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



**Mary Taylor, CPA**  
Auditor of State

November 2, 2007

**VILLAGE OF BUCKLAND  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Significant Deficiency/Finding for Recovery - Repaid Under Audit**

The Village made the following expenditures during 2005:

Check #8985 was issued to Ronald H. Miller, the Village's former legal counsel, in the amount of \$147 to record a lease and deed with the county recorder's office. This expenditure was also paid with check #8888, which resulted in a duplicate payment of \$147.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money that has been illegally expended, is hereby rendered against Ronald H. Miller in the amount of One Hundred and Forty Seven Dollars (\$147) and in favor of the Village of Buckland's General Fund. The duplicate payment made to the Village's former legal counsel, in the amount of \$147 was repaid by Ronald H. Miller on September 30, 2007 with receipt number 70-2007.

Check #8979 was issued to an office supply company in the amount of \$75.21 for the monthly credit card payment for the period ending March 2005. Check #9001 was then issued to pay the balance due at the end of the April 2005 billing period. The \$75.21 from March was included as the "beginning balance" on the April 2005 statement, which the Clerk –Treasurer did not exclude from the total ending balance when paying the bill. There was no credit issued on the following statement for this overpayment. This resulted in a duplicate payment of \$75.21.

Check #9201 was issued to an electric utility company for an electric bill belonging to a resident of the Village, in the amount of \$31.25. This resulted in an expenditure in the amount of \$31.25 that was not for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndate v. Masten, 18 Ohio St. 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. 80-074. Village Clerk-Treasurer Lisa Bice and former Council President Tom Bice shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from office supply company and resident.

Accordingly, a Finding for Recovery is hereby issued against Village Clerk-Treasurer Lisa Bice and former Council President Tom Bice, jointly and severally, in the amount of \$106.46, and in favor of the Village's General Fund. The duplicate payments to the office supply company and the electric utility company, in the amount of \$106.46, were repaid by Lisa Bice and Tom Bice, on October 18, 2007 with receipt number 72-2007.

The Village should review each expenditure to help assure that it represents a valid obligation of the Village, that it is supported by the original invoice, and that the expenditure has not been paid with a prior invoice. Evidence of this review should be documented on the voucher packet by initials or signatures.

## **FINDING NUMBER 2006-002**

### **Material Weakness**

#### **Review of Budgetary Activity**

To assist in the effective management of financial resources a governing body should periodically review financial reports that present budget versus actual revenues and expenditures. The review of budgetary activity should include determining whether or not appropriations remain within estimated resources along with being in-line with actual resources. The Village's Council did not receive budget versus actual reports. In addition, by not reviewing budget versus actual reports Council was not able to identify that the 2006 General Fund estimated receipts were understated by \$22,284, 2006 Gasoline Tax Fund receipts were understated by \$130, 2006 Issue II Fund appropriations were overstated by \$13,717, and the 2005 General Fund estimated receipts were understated by \$5,100, in the accounting system. The failure to review budget versus actual activity inhibited Council's ability to identify negative financial trends which could result in deficit spending or the failure to achieve Village spending objectives. The accompanying budgetary note in this audit report reflects the approved budgetary amounts.

The Council should periodically review financial reports that present budget versus actual activity. The review of these reports should help Council verify that expenditures are within appropriations at the legal level, that actual revenues are being collected at a rate that will achieve the estimated amount, and that actual resources (unencumbered beginning fund balance plus actual receipts) will be adequate to meet or exceed appropriations. When reviewing these reports Council should verify that the budgeted activity reflects the most recent approved estimated receipts and appropriations. Evidence of the review and approval of budget versus actual reports should be documented in the minutes and/or on the reports.

## **FINDING NUMBER 2006-003**

### **Material Weakness**

#### **Recording of Financial Activity**

To assist in the effective management and reporting of financial resources, the Village should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements. The Village's 2006 accounting records and financial statements had revenue classification errors of \$3,019 and expenditure classification errors of \$35,004 in the General Fund. The Village's 2005 accounting records and financial statements had revenue classification errors of \$3,285 and expenditure classification errors of \$36,614 in the General Fund. The classification errors included intergovernmental revenue recorded as tax revenue or as charges for services; miscellaneous revenue recorded as intergovernmental revenue; fines, licenses, and permits revenue recorded as miscellaneous revenue or as charges for services; debt service payments recorded as general government, utility costs of the Village recorded as basic utility services instead of general government, and emergency medical services expense recorded as health instead of security of persons and property.

The failure to correctly record financial activity not only impacted users' understanding of the financial operations, it also inhibited the Village Council and management's ability to make sound financial decisions, and may impact the Village's ability to comply with budgetary laws. The accompanying financial statements have been adjusted to correctly reflect all financial activity.

**FINDING NUMBER 2006-004**

**Material Weakness/Noncompliance**

**Ohio Rev. Code Section 135.21** requires that all interest earned must be credited to the general fund of the subdivision. **Article XII, Section 5a, Ohio Const. and 1982 Att’y Gen. No. 82-031** requires interest earned on money derived from a motor vehicle licenses or fuel tax must follow the principal. During 2006 and 2005, the Village credited interest to its General Fund, Street Construction and Maintenance Fund, State Highway Fund, Permissive Motor Vehicle License Tax Fund, and the Capital Projects Fire Truck Fund. The Village did not have statutory authority to allocate interest to the Capital Projects Fire Truck Fund. The accompanying financial statements have been adjusted to remove interest from the Capital Projects Fire Truck Fund. This adjustment had the following impact on the fund balances at December 31:

Year	Fund	Amount
2006	General	\$ 43
	Capital Projects Fire Truck Fund.	(43)
2005	General	148
	Capital Projects Fire Truck Fund.	(148)

The Village Clerk-Treasurer should review governmental accounting resources such as the Ohio Village Manual, the UAN Manual, and Ohio Compliance Supplement Chapter 5 to further the understanding of fund classifications.

**FINDING NUMBER 2006-005**

**Material Weakness/Noncompliance Citation**

**Ohio Rev. Code Section 5705.36(A)(2)** allows all subdivisions to request increased amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate of estimated resources. **Ohio Rev. Code Section 5705.36(A)(3)** requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. **Ohio Rev. Code Section 5705.40** allows an entity to amend or supplement appropriations.

In 2006, the Village failed to amend the certificate of estimated resources and the appropriations resolution for Issue II money, in the amount of \$13,717 spent on behalf of the Village.

The failure to record this activity prevented the users of the financial statements from seeing the financial benefit received by the Village.

The Village should review Auditor of State Bulletin 2002-004 for guidance in the budgeting of Issue II money. Procedures should then be implemented by the Village to help assure that the estimated resources and appropriations for Issue II money are approved by Council and submitted to the county auditor.

## FINDING NUMBER 2006-006

### Significant Deficiency/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.

- a. **"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 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 of expenditures by Council.
- b. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not 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.
- c. **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.

The Clerk-Treasurer prepared blanket certificates and purchase orders to cover the expenditures made in 2006 and 2005, but only signed approximately ten of the certifications. Therefore, there was no certification that the funds were available for the disbursement. In addition, Council did not establish the maximum amount for blanket certificates.

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 Village's Clerk-Treasurer 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.

**FINDING NUMBER 2006-006  
(Continued)**

The Village should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. To further help control the disbursement process, Council should establish the maximum amount for "blanket" certificates.

**OFFICIALS' RESPONSE**

We are making every effort to make appropriate changes.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BUCKLAND**

**AUGLAIZE 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  
JANUARY 3, 2008**