



Mary Taylor, CPA
Auditor of State

VILLAGE OF BUTLERVILLE
WARREN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings	21

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Village of Butlerville
Warren County
8516 Walnut St
P.O. Box 85
Pleasant Plain, Ohio 45162

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.

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

Mary Taylor, CPA
Auditor of State

April 7, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Butlerville
Warren County
8516 Walnut St
P. O. Box 85
Pleasant Plain, Ohio 45162

To the Village Council:

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

Except as described in the following paragraphs, 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.

The Village posted various receipts, including MV Reg Fees, Gasoline Tax to Municipalities, Gasoline Cents per Gallon, property taxes and homestead and rollback to the wrong funds during the audit period in violation of Ohio Rev. Code Sections 5705.09(F), 4501.04, 5735.28 and 5735.23. Had these receipts been correctly posted to the proper funds, the effect would have been to increase the cash balance of the Street Construction Maintenance and Repair Fund by \$2,994 to \$9,999, to increase the cash balance of the State Highway Fund by \$183 to \$6,726, to increase the cash balance of the Permissive MVL Fund by \$215 to \$1,113 and to decrease the cash balance of the General Fund by \$3,392 to (\$3,080) as of and for the year ended December 31, 2006.

The Village advanced \$2,000 from the Street Construction, Maintenance and Repair (SCMR) Fund to the General Fund in 2006 in violation of Auditor of State Bulletin 1997-003 and Ohio Revised Code Sections 5705.09 (F) and 5705.10. Had this amount not been illegally advanced from the SCMR Fund, the effect would have been to increase the cash balance and decrease disbursements of the SCMR Fund by \$2,000 to \$11,999 and to decrease the cash balance and receipts of the General Fund by \$2,000 to (\$5,080) as of and for the year ended December 31, 2006.

As discussed in Note 8, to the financial statements, the Village is experiencing significant financial difficulties.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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, except for effects of adjustments to eliminate the \$2,000 advance from SCMR Fund to General Fund and to eliminate \$3,392 due from the General Fund to the SCMR, State Highway and Permissive MVL funds, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Butlerville, Warren 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 aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 April 7, 2008, 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

April 7, 2008

VILLAGE OF BUTLERVILLE
WARREN COUNTY

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$2,166	\$0	\$2,166
Intergovernmental	511	5,966	6,477
Fines, Licenses and Permits	2,489	0	2,489
Miscellaneous	100	0	100
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	5,266	5,966	11,232
Cash Disbursements:			
Current:			
Security of Persons & Property	126	1,464	1,590
Transportation	0	6,083	6,083
General Government	8,536	0	8,536
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	8,662	7,547	16,209
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(3,396)	(1,581)	(4,977)
Other Financing Receipts/(Disbursements):			
Advances-In	2,000	0	2,000
Advances-Out	0	(2,000)	(2,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	2,000	(2,000)	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(1,396)	(3,581)	(4,977)
Fund Cash Balance, January 1	<hr/>	<hr/>	<hr/>
	1,708	18,025	19,733
Fund Cash Balance, December 31	<hr/>	<hr/>	<hr/>
	<u>\$312</u>	<u>\$14,444</u>	<u>\$14,756</u>

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

VILLAGE OF BUTLERVILLE
WARREN COUNTY

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$2,063	\$0	\$2,063
Intergovernmental	1,534	3,183	4,717
Fines, Licenses and Permits	3,302	0	3,302
Miscellaneous	498	0	498
Total Cash Receipts	<u>7,397</u>	<u>3,183</u>	<u>10,580</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	634	711	1,345
Transportation	0	1,000	1,000
General Government	7,651	0	7,651
Total Cash Disbursements	<u>8,285</u>	<u>1,711</u>	<u>9,996</u>
Total Receipts Over/(Under) Disbursements	<u>(888)</u>	<u>1,472</u>	<u>584</u>
Fund Cash Balance, January 1 (as restated)	<u>2,596</u>	<u>16,553</u>	<u>19,149</u>
Fund Cash Balance, December 31	<u><u>1,708</u></u>	<u><u>18,025</u></u>	<u><u>19,733</u></u>
Reserve for Encumbrances, December 31	<u><u>\$44</u></u>	<u><u>\$114</u></u>	<u><u>\$158</u></u>

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 Butleville, Warren County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance and repair. The Village contracts with the Warren County Sheriff's department to provide security of persons and property. Harlan Township provides fire protection services.

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

B. 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 Deposits

Village funds are deposited in a checking account with a local commercial bank.

D. Fund Accounting

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

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.

E. Budgetary Process

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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 carried over, and need not be reappropriated. 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 and investments. The carrying amount of cash at December 31 was as follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	<u>\$14,756</u>	<u>\$19,733</u>
Total deposits	<u><u>\$14,756</u></u>	<u><u>\$19,733</u></u>

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$5,266	\$5,266
Special Revenue	0	5,966	5,966
Total	\$0	\$11,232	\$11,232

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$8,662	(\$8,662)
Special Revenue	0	7,547	(7,547)
Total	\$0	\$16,209	(\$16,209)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$7,397	\$7,397
Special Revenue	0	3,183	3,183
Total	\$0	\$10,580	\$10,580

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$8,329	(\$8,329)
Special Revenue	0	1,825	(1,825)
Total	\$0	\$10,154	(\$10,154)

Contrary to Ohio law:

- the Village did not approve or certify appropriations to the county auditor, resulting in all disbursements exceeding appropriations;
- the Village did not approve or submit a tax budget to the County Auditor by July 15;
- the Village did not authorize the necessary rates by October 1; and
- the Village did not obtain a certificate of total amounts available from all sources.

**VILLAGE OF BUTLERVILLE
WARREN 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.

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

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

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

5. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

6. Prior Period Adjustment

Audit adjustments were presented to the Village at the conclusion of the 2003-2004 audit. These adjustments were posted incorrectly to the Village UAN system and were not included in the released audit report.

	General Fund	Total Special Revenue
Prior Audit 12/31/04 Fund Balance	\$2,900	\$16,249
Correction of error	(304)	304
New 1/1/05 Fund Balance	\$2,596	\$16,553

7. Compliance

An advance of \$2,000 was made from the Street Construction, Maintenance and Repair Fund to the General Fund which was illegal since Street Funds are restricted to street-related disbursements. This advance was returned in September 2007.

Village did not post tax and intergovernmental receipts as required by ORC Sections 5705.09 (F), 4501.04, 5735.28 and 5735.23.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

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

8. Subsequent Events/Fiscal Emergency Determination

The Village is experiencing financial difficulties. During the audit period, the Village did not file a tax budget and accordingly, did not receive any local government monies. In addition, the Village failed to post receipts in accordance with the Ohio Revised Code. If the receipts had been posted correctly, as of December 31, 2006 the General Fund would have a deficit balance of \$3,080. This negative cash fund balance was covered primarily by the \$9,999 cash balance in the Street Construction Maintenance and Repair Fund (SCMR) which included the effects of the illegal advance of \$2,000 from the SCMR Fund to the General Fund. In addition, the State Highway would have had a \$6,726 cash balance and the Permissive MVL Fund would have had a \$1,113 cash balance.

The \$2,000 cash advance from the SCMR Fund to the General Fund was repaid in September 2007. The Village failed to file a tax budget for 2007 or 2008 and therefore, will not receive local government monies during those years. The fiscal officer intends to contact a visiting clerk for assistance in preparing a tax budget for 2009 and receive local government monies.

This page intentionally left blank.



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 Butlerville
Warren County
8516 Walnut St.
P.O. Box 85
Pleasant Plain, Ohio 45162

To the Village Council:

We have audited the financial statements of the Village of Butlerville, Warren County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 7, 2008 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 qualified our report on the advance from SCMR Fund to General Fund and the Village's failure to post receipts correctly. 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 and 2006-002.

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 deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-001 and 2006-002 are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated April 7, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-005.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated April 7, 2008.

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

April 7, 2008

**VILLAGE OF BUTLERVILLE
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Finding for Adjustment/Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.09(F), provides that each subdivision shall establish a special fund for each class of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code Section 5705.10(H) provides that monies paid into any fund shall be used only for the purpose for which such fund is established.

Ohio Rev. Code, Section 4501.04, provides that auto registration fees distributed by the County Auditor per Ohio Rev. Code Section 4501.03 be paid into the municipal treasury to be used for purposes related to municipal streets. The fund established by the Village for these receipts and expenditures is the Street Construction, Maintenance, and Repair Fund.

Ohio Rev. Code, Section 5735.28, provides that whenever a municipal corporation is on the line of a state highway, that seven and one-half percent of the amount paid to a municipal corporation pursuant to sections 4501.04, 5723.23, and 5735.27 of the Revised Code shall be credited to the State Highway Fund for purposes related to maintenance of the state highways within the municipal corporation. The fund established by the Village for these receipts and expenditures is the State Highway Fund.

Ohio Rev. Code, Section 5735.23(C)(2)(a), provides that the gasoline excise tax distributed from the State and Local Government Highway Distribution Fund pursuant to Ohio Rev. Code Section 5735.27(A)(1), be used pursuant to that section. Ohio Rev. Code Section 5735.27 provides that the gasoline excise tax distributed from the Gasoline Excise Tax Fund is to be used for municipal street expenditures. The fund established by the Village for these receipts and expenditures is the Street Construction, Maintenance, and Repair Fund.

According to above laws, the monthly distributions from the County designated as "MV Reg Fees," "Gasoline Tax to Municipalities" and "Gasoline Cents Per Gallon" must be posted to the Village funds at the rate of ninety two and one half percent (92 ½%) to the Street Construction, Maintenance, and Repair Fund and seven and one half percent (7 ½%) to the above funds. The Village also posted property taxes, homestead and rollback, to the wrong funds and at the net amount instead of the gross amount.

The following table reflects the net effect of the adjustments the Village needs to make to their financial records to properly reflect receipts and expenditures in the proper funds:

	Net Effect of Adjustments on Fund Balance
General Fund	(\$3,392)
Street Construction & Maintenance Fund	2,994
State Highway Fund	183
Permissive MVL Fund	215

**FINDING NUMBER 2006-001
(Continued)**

The audit adjustments listed above are not reflected in the accompanying financial statements to properly reflect receipts, disbursements and fund balances of the Village as of December 31, 2006. The Village does not have adequate balances in the General Fund to post the adjustments above. As a result, the records maintained by the Fiscal Officer were not an accurate reflection of all moneys received and expended by the Village. Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

Had these amounts been properly returned from the General Fund to the above funds, the effect would have been to increase the cash balance of the Street Construction Maintenance and Repair Fund by \$2,994 to \$9,999, to increase the cash balance of the State Highway Fund by \$183 to \$6,726, to increase the cash balance of the Permissive MVL Fund by \$215 to \$1,113 and to decrease the cash balance of the General Fund by \$3,392 to (\$3,080) as of and for the year ended December 31, 2006.

We recommend the Fiscal Officer accurately maintain the accounting records in accordance with the uniform accounting system prescribe by the Auditor of State. In addition, the Village should adjust their cashbook/fund balances to reflect the audited fund balances. The Village should adopt procedures to properly monitor the Village's financial activity.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Funds and in the amount of \$3,392 in favor of the Village of Butlerville's Street Construction Maintenance and Repair, State Highway and Permissive MVL funds in the amounts listed above.

Officials' Response:

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

FINDING NUMBER 2006-002

Noncompliance Citation/Material Weakness

Auditor of State Bulletin 1997-003 states that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

In 2006, the Village Council authorized the movement of \$2,000 from the Street Construction Maintenance and Repair fund to the General fund. Although a resolution was located approving this movement of monies, Street Construction Maintenance and Repair fund monies are restricted for street related disbursements, and therefore the movement of \$2,000 from the Street Construction Maintenance and Repair fund to the General fund was not allowed.

Ohio Rev. Code, Sections 5705.09(F) and 5705.10, restrict the use of Street Construction Maintenance and Repair Fund to street related disbursements. Had this amount been properly returned from the General Fund to the Street Construction Maintenance and Repair Fund, the effect would have been to increase the cash balance of the Street Construction Maintenance and Repair Fund by \$2,000 to \$11,999 and to decrease the cash balance of the General Fund by \$2,000 to (\$5,080) as of and for the year ended December 31, 2006.

**FINDING NUMBER 2006-002
(Continued)**

This advance of \$2,000 was returned by the General fund to the Street Construction Maintenance and Repair fund in September 2007.

Officials' Response:

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

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. 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 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 the Village.

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.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2006-003
(Continued)**

The availability of funds was not certified prior to the time of commitment in 57% of expenditures tested in 2006 or in 85% of expenditures tested in 2005, nor did the Village use the aforementioned exceptions. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also 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 funds

are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the officials obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Village should post approved purchase orders to the proper appropriation code to reduce the available appropriation and close any purchase order when they are no longer in use.

Officials' Response:

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

FINDING NUMBER 2006-004

Noncompliance Citation

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Further, Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The Village did not approve in the minutes or file with the County Auditor appropriations for either year of the audit period. As such, the following funds had expenditures which exceeded appropriations:

**FINDING NUMBER 2006-004
 (Continued)**

2006	Appropriations	Expenditures + Outstanding Encumbrances	Variance
General Fund	\$0	\$8,662	(\$8,662)
Street Maintenance, Construction & Repair Fund	0	7,547	(7,547)
2005	Appropriations	Expenditures + Outstanding Encumbrances	Variance
General Fund	\$0	\$8,329	(\$8,329)
Street Maintenance, Construction & Repair Fund	0	1,825	(1,825)

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

Officials' Response:

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

FINDING NUMBER 2006-005

Noncompliance Citation

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

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

Further, **Ohio Rev. Code, Section 5705.36(A)(1)**, requires the Village to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year on or about the first day of each fiscal year.

There are no records that resolutions were passed for either year of the audit period. We recommend that rates are approved by the dates required. As such, there is no record of a tax budget adopted by the Village in either year of the audit period. Further, the Village did not certify the total amount from all sources available for expenditures for 2005 and 2006, or the balances that existed at the end of 2005 and 2006.

**FINDING NUMBER 2006-005
(Continued)**

Since the Village's local government monies from the County Auditor are contingent upon the tax budget's completion and submission, we recommend that the budgets are approved and submitted by the required dates each year. We also recommend that tax rates are approved by the dates required. In addition, failure to certify the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year could result in a delay of funding from the County. We recommend the Village complete and submit to the county auditor on or about the first day of the fiscal year a Certificate of the Total Amount from All Sources Available for Expenditures, and Balances.

Officials' Response:

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 & 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 5705.41D for not properly encumbering	No	Repeat as Finding 2006-003
2004-002	Material Noncompliance over Budgetary	No	Repeat as Findings 2006-004 and 2006-005
2004-003	Ohio Rev. Code Section 149.351 for records retention	No	Partially Corrected. Reported in Management Letter.



Mary Taylor, CPA
Auditor of State

VILLAGE OF BUTLERVILLE

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2008**