

VILLAGE OF BUTLERVILLE

WARREN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Butlerville, Warren County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2009 through December 31, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Butlerville is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

August 15, 2011

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**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

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Manning & Associates Certified Public Accountants, LLC

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

INDEPENDENT AUDITORS' REPORT

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

To the Mayor and Members of 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, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, 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 Butlerville, Warren County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 7 to the financial statements, the Village has suffered recurring losses from operations and has a negative general fund balance of \$(3,146) at December 31, 2009.

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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 28, 2011

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**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, 2010**

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 3,159	\$ 0	\$ 0	\$ 3,159
Intergovernmental Receipts	4,895	9,281	40,000	54,176
Fines, Licenses and Permits	5,208	0	0	5,208
Miscellaneous	526	0	0	526
Total Cash Receipts	<u>13,788</u>	<u>9,281</u>	<u>40,000</u>	<u>63,069</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	\$ 1,372	\$ 2,441	\$ 0	\$ 3,813
Transportation	0	1,236	0	1,236
Capital Outlay	0	0	40,000	40,000
General Government	4,210	0	0	4,210
Total Cash Disbursements	<u>5,582</u>	<u>3,677</u>	<u>40,000</u>	<u>49,259</u>
Total Receipts Over/(Under) Disbursements	<u>8,206</u>	<u>5,604</u>	<u>0</u>	<u>13,810</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,206	5,604	0	13,810
Fund Cash Balances, January 1,	<u>(3,146)</u>	<u>33,733</u>	<u>0</u>	<u>30,587</u>
Fund Cash Balances, December 31,	<u><u>\$ 5,060</u></u>	<u><u>\$ 39,337</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 44,397</u></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, 2009**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 2,477	\$ 0	\$ 2,477
Intergovernmental Receipts	4,602	8,122	12,724
Fines, Licenses and Permits	4,826	0	4,826
Miscellaneous	452	0	452
Total Cash Receipts	<u>12,357</u>	<u>8,122</u>	<u>20,479</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	\$ 2,142	\$ 1,650	\$ 3,792
Transportation	0	375	375
General Government	6,787	0	6,787
Total Cash Disbursements	<u>8,929</u>	<u>2,025</u>	<u>10,954</u>
Total Receipts Over/(Under) Disbursements	<u>3,428</u>	<u>6,097</u>	<u>9,525</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,428	6,097	9,525
Fund Cash Balances, January 1,	<u>(6,574)</u>	<u>27,636</u>	<u>21,062</u>
Fund Cash Balances, December 31,	<u><u>\$ (3,146)</u></u>	<u><u>\$ 33,733</u></u>	<u><u>\$ 30,587</u></u>

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

Special Revenue Funds

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

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

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:

CDBG Fund – This fund receives grant proceeds for repair of Village street.

E. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2010</u>	<u>2009</u>
Demand Deposits	\$ 44,397	\$ 30,587
Total Deposits	<u>\$ 44,397</u>	<u>\$ 30,587</u>

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2010 was as follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 13,788	\$ 13,788
Special Revenue	0	9,281	9,281
Capital Projects	0	40,000	40,000
Total	\$ 0	\$ 63,069	\$ 63,069

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 5,582	\$ (5,582)
Special Revenue	0	3,677	(3,677)
Capital Projects	0	40,000	(40,000)
Total	\$ 0	\$ 49,259	\$ (49,259)

Budgetary activity for the year ending December 31, 2009 was as follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 12,357	\$ 12,357
Special Revenue	0	8,122	8,122
Total	\$ 0	\$ 20,479	\$ 20,479

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 8,929	\$ (8,929)
Special Revenue	0	2,025	(2,025)
Total	\$ 0	\$ 10,954	\$ (10,954)

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

4. BUDGETARY AND COMPLIANCE

Ohio Rev. Code Section 5705.38 requires the annual appropriation measure to be passed on or amount the first day of each fiscal year. Contrary to this law, we found no evidence to suggest that the Village passed the required annual appropriation measure in 2010 or 2009.

Ohio Rev. Code, Section 5705.41(B), states in part that no subdivision or taxing unit is to expend money unless it has been appropriated. Contrary to this law, the Village's expenditures exceeded appropriations in all funds in 2010 and 2009 as a result of the not certifying appropriations to the County Auditor for 2010 or 2009.

Ohio Rev. Code, Section 5705.36(A)(1), provides in part that on or about the first day of each fiscal year, the Fiscal Officer of each subdivision and other taxing entity shall certify to the County Auditor the total amount from all sources available for expenditure from each fund set up in the tax budget. Contrary to this law, we found no evidence to suggest that the Village filed a Certificate of Estimated Resources with the County Auditor in 2010 or 2009.

The Village's fund balances were not properly reconciled at December 31, 2010 and 2009. Also, the Village's posted several receipts to the wrong line items. The Village did not record on behalf payments made by CDBG.

5. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

6. RISK MANAGEMENT

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

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

There have been no significant reductions in insurance coverage during 2010 or 2009. Settled claims have not exceeded commercial excess coverage in any of the past three year.

7. NEGATIVE FUND BALANCE

The Village is experiencing financial difficulties. During the previous and current audit period, the Village experienced negative fund balances in the General Fund. At December 31, 2009, the Village had a negative fund balance in the General Fund of \$(3,146), an improvement from the preceding year of \$(6,574). At December 31, 2010, the Village's General Fund had a positive balance of \$5,060.

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Manning & Associates
Certified Public Accountants, LLC

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

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

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

To the Mayor and Members of Council:

We have audited the financial statements of the Village of Butlerville Warren County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 28, 2011, 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 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect, and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 and 2010-005 described in the accompanying schedule of findings to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as Findings Number 2010-001 through 2010-004.

We did noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 28, 2011.

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

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

Manning & Associates CPAs, LLC
Dayton, Ohio

June 28, 2011

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Material Weakness

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

At December 31, 2010, the Village's unadjusted fund balances per the UAN system were greater than their adjusted bank balance by \$1,154. At December 31, 2009, the Village's unadjusted fund balances per the UAN system were greater than their adjusted bank balance by \$654. Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution. We recommend the Fiscal Officer properly reconcile the Village's accounts on a monthly basis. Any variances should be immediately investigated and justified. We also recommend that Council or an appointee of Council, review and sign off on the reconciliation thereby indicating approval and promoting timeliness of reconciliations.

The Village reported incorrect receipts for certain line items and fund balances on their financial statements. Adjustments were required for the following items:

- Deposits in transit and other adjusting factors noted on the December 31, 2010 and 2009 bank reconciliations could not be traced to actual deposits in transit or support for reconciling items. Cash balances were overstated by \$1,154 and \$654 for 2010 and 2009, respectively.
- Outstanding check list at December 31, 2010 did not contain all outstanding checks. The Village issued check 4574 at December 31, 2010, which was not listed on the UAN or outstanding check list.
- Beginning fund balances in 2009 did not match final audited ending fund balances in 2008.
- Miscellaneous receipts were posted as other financing sources
- Intergovernmental receipts were posted as property and other local taxes and miscellaneous Receipts
- On behalf payments made by CDBG in the amount of \$40,000 were not recorded on the Village's financial statements for 2010.

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

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time 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 or expenditures by the Village.
2. **Blanket certificate** – Fiscal officers may prepare "blanket" against any specific line item account over a period exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Contrary to this requirement, the Village failed to properly certify 58 percent of expenditures tested in 2010 and 58 percent of expenditures tested in 2009. The corresponding purchase orders for these expenses were issued after the incurrence of the expense without being certified as "then and now."

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-002, Continued

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

Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend that Village obtain a proper and approved purchase order, including amounts, which contain the Fiscal Officer’s certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. We further recommend that the Fiscal Officer issue blanket or super blanket purchase orders for qualifying expenses if the purchase order is to be used for more than one invoice.

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

FINDING NUMBER 2010-003

Noncompliance Citation

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

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

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

<u>Fund</u>		<u>Appropriations</u>		<u>Expenditures</u>		<u>Variance</u>
2010						
General	\$	0	\$	5,582	\$	(5,582)
Street Construction		0		3,677		(3,677)
2009						
General	\$	0	\$	3,428	\$	(3,428)
Street Construction		0		2,025		(2,025)

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-003, Continued

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

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

FINDING NUMBER 2010-004

Noncompliance Citation

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

The Village adopted a tax budget in 2010 and 2009 but did not certify the tax budget with the County Budget Commission. Further, the Village did not certify the total amount from all sources available for expenditures for 2010 and 2009, or the balances that existed at the end of 2009 and 2008.

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 FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-005

Material Weakness - Lack of Effective Monitoring/Oversight

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

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

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

Monitoring controls should assist management in detecting material misstatements in the financial or other information presented. Such controls may include, but are not limited to, the following reviews by the Council:

- Monthly review of bank statements and reconciliations;
- Monthly review of budget and actual activity including required submission of budgetary reports;
- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long outstanding checks or deposits;
- Planning for adequate separation of duties or compensating controls.
- Ensuring the accounting records are properly designed

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2008-001	ORC Sec. 733.28 - Village did not exhibit accurate statements of all moneys received and expended for 2008 and 2007	No	Reissued as Finding Number 2010-001
2008-002	AOS Bulletin 1997-003 - Village moved funds from Street Construction Fund to General Fund in 2007	Yes	
2008-003	ORC Sec. 5705.41(D) Purchase Orders not approved prior to the incurrence of all expenses	No	Reissued as Finding Number 2010-002
2008-004	ORC 5705.38(A) - Appropriations were not approved in the minutes or filed with the County Auditor for 2008 or 2007	No	Reissued as Finding Number 2010-003
2008-005	ORC 5705.28(A)(2) - Tax budget was not properly adopted and filed with the County Budget Commission	No	Reissued as Finding Number 2010-004
2008-006	ORC 5705.10(H) - Restricted monies used for other than its intended pupose	Yes	

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Dave Yost • Auditor of State

VILLAGE OF BUTLERVILLE

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 25, 2011**