



Mary Taylor, CPA
Auditor of State

VILLAGE OF BUTLERVILLE
WARREN COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Butlerville
Warren County
8516 Walnut Street
P.O. Box 85
Butlerville, 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.

Mary Taylor

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Auditor of State

December 16, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Butlerville
Warren County
8516 Walnut Street
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, 2008 and 2007. 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.

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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, 2008 and 2007 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, 2008 and 2007, 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 and reserves for encumbrances of the Village of Butlerville, Warren County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 8 to the financial statements, the Village has suffered recurring losses from operations and has a negative General Fund balance of \$6,574 and \$7,176 at December 31, 2008 and 2007 respectively. As of December 16, 2009, management has not developed plans to address these conditions.

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 December 16, 2009, 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

December 16, 2009

**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, 2008**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$1,989	\$0	\$1,989
Intergovernmental	374	7,642	8,016
Fines, Licenses and Permits	4,682	0	4,682
 Total Cash Receipts	 7,045	 7,642	 14,687
Cash Disbursements:			
Current:			
Security of Persons and Property	1,454	0	1,454
Basic Utility Service	0	1,434	1,434
Transportation	0	3,100	3,100
General Government	5,499	0	5,499
 Total Cash Disbursements	 6,953	 4,534	 11,487
 Total Receipts Over/(Under) Disbursements	 92	 3,108	 3,200
Other Financing Receipts:			
Other Financing Sources	510	0	510
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	 602	 3,108	 3,710
 Fund Cash Balances, January 1	 (7,176)	 24,528	 17,352
 Fund Cash Balances, December 31	 (\$6,574)	 \$27,636	 \$21,062
 Reserve for Encumbrances, December 31	 \$860	 \$0	 \$860

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, 2007**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$2,536	\$0	\$2,536
Intergovernmental	352	7,010	7,362
Fines, Licenses and Permits	4,675	0	4,675
Total Cash Receipts	7,563	7,010	14,573
Cash Disbursements:			
Current:			
Security of Persons and Property	575	0	575
Basic Utility Service	0	1,675	1,675
Transportation	0	643	643
General Government	9,296	0	9,296
Total Cash Disbursements	9,871	2,318	12,189
Total Receipts Over/(Under) Disbursements	(2,308)	4,692	2,384
Other Financing Receipts / (Disbursements):			
Advances-In	0	2,000	2,000
Advances-Out	(2,000)	0	(2,000)
Other Financing Sources	212	0	212
Total Other Financing Receipts / (Disbursements)	(1,788)	2,000	212
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(4,096)	6,692	2,596
Fund Cash Balances, January 1 (As restated, See Note 2)	(3,080)	17,836	14,756
Fund Cash Balances, December 31	(\$7,176)	\$24,528	\$17,352
Reserve for Encumbrances, December 31	\$860	\$0	\$860

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, 2008 AND 2007**

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. 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 Funds:

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

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 2008 and 2007 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. Restatement of Fund Balance

The fund balance of the General and Special Revenue Funds were restated from amounts previously reported. The restatements were due to adjustments made by the Village to correct a finding for adjustment that was reported in the Village's FY 2005-06 financial audit. These adjustments resulted in changes to balances reported at December 31, 2006 as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Fund Balance at December 31, 2006 (as reported)	\$312	\$14,444

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Restatement of Fund Balance (Continued)

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Adjustment made to correct Finding for Adjustment issued in FY 05-06 financial audit	<u>(3,392)</u>	<u>3,392</u>
Fund Balance at December 31, 2006 (as restated)	<u>\$(3,080)</u>	<u>\$17,836</u>

3. Equity in Pooled Deposits

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

	<u>2008</u>	<u>2007</u>
Demand deposits	<u>\$21,062</u>	<u>\$17,352</u>
Total deposits	<u>\$21,062</u>	<u>\$17,352</u>

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$7,555	\$7,555
Special Revenue	0	7,642	7,642
Total	\$0	\$15,197	\$15,197

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$7,813	(\$7,813)
Special Revenue	0	4,534	(4,534)
Total	\$0	\$12,347	(\$12,347)

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$7,775	\$7,775
Special Revenue	0	7,010	7,010
Total	\$0	\$14,785	\$14,785

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$10,731	(\$10,731)
Special Revenue	0	2,318	(2,318)
Total	\$0	\$13,049	(\$13,049)

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.

5. 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.

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. Compliance

Contrary to Ohio law:

Village's fund balances were not properly reconciled at December 31, 2007 and 2008. Also, the Village posted several receipts to the wrong fund and line items in 2007 and 2008.

Village made an advance of \$3,700 from the Street Construction, Maintenance and Repair Fund to the General Fund which was illegal since Street Funds are restricted to street-related disbursements.

Village made an expense of \$530 out of their Street Construction, Maintenance and Repair fund in 2007 that was not in accordance with the Ohio Revised Code.

8. Subsequent Events/Fiscal Emergency Determination

The Village is experiencing financial difficulties. During the previous and current audit period, the Village did not file a tax budget and accordingly, did not receive any local government monies. As a result of the Village not receiving their local government monies the Village had disbursements exceeding their receipts in the General fund. At December 31, 2008 the General fund has a negative fund balance of \$(6,574).

The Village has filed a tax budget in 2009 and has begun to receive their local government monies this year. The Village Council, Mayor and Clerk-Treasurer have held meetings with the Local Government Services division to discuss potential ways to address the Village's financial difficulties. However, as of December 16, 2009, management has not developed plans to address these conditions.

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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 Butlerville
Warren County
8516 Walnut Street
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, 2008 and 2007, and have issued our report thereon dated December 16, 2009 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. Furthermore, we noted the Village has suffered recurring losses from operations and has a negative General Fund balance. 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 findings 2008-001, 2008-002, and 2008-006 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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. We believe findings number 2008-001, 2008-002, and 2008-006 are also material weaknesses.

We also noted certain matters that we reported to the Village's management in a separate letter dated December 16, 2009.

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 item 2008-001 to 2008-006.

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 December 16, 2009.

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.



Mary Taylor, CPA
Auditor of State

December 16, 2009

**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation/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, 2008, the Village's unadjusted fund balances per the UAN system were greater than their adjusted bank balance by \$241.67. At December 31, 2007, the Village's unadjusted fund balances per the UAN system were less than their adjusted bank balance by \$521.48. During testing of receipts we noted that the Village did not record several receipts for revenue received and recorded several receipts that were not actual receipts. Adjustments were made to the Village's accounting system and financial statements for these errors. As a result of these adjustments, at December 31, 2008, the Village's adjusted fund balances were greater than the adjusted bank balance by \$100.67.

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 Clerk-Treasurer properly reconcile their 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.

During testing of receipts we noted the following conditions in 2007:

- The Village did not record in their accounting system two receipts totaling \$457.
- The Village posted a gasoline tax receipt totaling \$280 to the General fund rather than the Street Construction Maintenance and Repair fund and State Highway fund.
- The Village voided a portion of one gasoline tax receipt in error totaling \$168 in the Street Construction Maintenance and Repair fund.
- The Village posted seven motor vehicle license tax receipts totaling \$728 to the Permissive Motor Vehicle License fund rather than the Street Construction Maintenance and Repair fund and the State Highway fund.
- The Village posted seven permissive tax receipts totaling \$248 to the Street Construction Maintenance and Repair fund and State Highway fund rather than the Permissive Motor Vehicle License fund.
- The Village posted the 2nd half property tax rollback to the Street Construction Maintenance and Repair fund and State Highway fund rather than the General fund totaling \$163.
- The Village posted two receipts totaling \$103 that were not actually receipts.
- The Village posted 2nd half real estate tax totaling \$1,137 to intergovernmental revenue rather than property and other local taxes.

**FINDING NUMBER 2008-001
(Continued)**

- The Village posted revenue received for gasoline tax, gasoline cents per gallon, and motor vehicle license tax totaling \$4,608 and \$366 in their Street Construction Maintenance and Repair fund and State Highway fund respectively to property and local tax revenue rather than intergovernmental revenue.

During testing of receipts we noted the following conditions in 2008:

- The Village did not record in their accounting system three receipts totaling \$653.
- The Village posted the Street Construction Maintenance and Repair fund's portion of a gasoline cents per gallon receipt totaling \$165 to the State Highway fund and to the wrong line item.
- The Village posted four permissive tax receipts totaling \$129 to the General fund, Street Construction Maintenance and Repair fund and State Highway fund rather than the Permissive Motor Vehicle License fund.
- The Village posted the 2nd half property tax rollback to the Street Construction Maintenance and Repair fund and State Highway fund rather than the General fund totaling \$185.
- The Village posted five receipts totaling \$235 that were not actually receipts.
- The Village posted three receipts totaling \$1,085 to record revenue that had already been recorded in UAN by the Village.
- The Village posted 1st half real estate tax totaling \$630 to intergovernmental revenue and 2nd half property tax totaling \$1,116 to other financing sources rather than property and other local taxes.
- The Village posted revenue received for gasoline tax, gasoline cents per gallon, and motor vehicle license tax totaling \$6,068 and \$527 in their Street Construction Maintenance and Repair fund and State Highway fund respectively to property and local tax revenue rather than intergovernmental revenue.

As a result of these errors, the Village reported materially incorrect receipts for certain line items and fund balances on their financial statements. The Village has recorded audit adjustments to the financial statements and accounting records where appropriate. These adjustments resulted in a General fund negative fund balance at December 31, 2007 and 2008. We recommend that the Village exercise due care when posting entries to the cash journal to prevent errors and promote accurate financial statements.

We also recommend the Clerk-Treasurer accurately maintain the accounting records in accordance with the uniform accounting system prescribed by the Auditor of State. The Village should adopt procedures to effectively monitor the Village's financial activity posted in the accounting system and reported on the financial statements.

Officials Response:

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

FINDING NUMBER 2008-002

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 December 2007, the Village Council authorized the movement of \$3,700 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 \$3,700 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.

The Village recorded an audit adjustment to the financial statement and accounting records to correct this error which resulted in a General fund negative fund balance at December 31, 2007 and 2008.

We recommend the Village review the requirements noted above prior to advancing monies.

Officials Response:

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

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D)(1), 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.

**FINDING NUMBER 2008-003
(Continued)**

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.

The availability of funds was not certified prior to the time of commitment in 100% of expenditures tested in 2008 and 75% of expenditures tested in 2007, 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 Clerk-Treasurer 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 Clerk-Treasurer’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 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 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 2008-004

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:

2008	Appropriations	Expenditures + Outstanding Encumbrances	Variance
General Fund	\$0	\$7,813	(\$7,811)
SCMR	0	4,534	(4,534)
2007	Appropriations	Expenditures + Outstanding Encumbrances	Variance
General Fund	\$0	\$10,731	(\$10,280)
SCMR	0	2,318	(2,848)

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 Clerk-Treasurer 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 Clerk-Treasurer 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 2008-005

Noncompliance Citation

Ohio Rev. Code, Section 5705.28(A)(2), 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)**, 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 2008 but did not certify the tax budget with the County Budget Commission. No tax budget was adopted by Council in 2007. Further, the Village did not certify the total amount from all sources available for expenditures for 2007 and 2008, or the balances that existed at the end of 2007 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.

FINDING NUMBER 2008-006

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.09(F), provides that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular 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, Sections 5735.27 and 4501.04, restrict the purpose for which the gasoline excise tax and motor vehicle license tax monies may be expended.

Ohio Rev. Code, Section 5735.27, provides that gasoline excise tax distributed from the Gasoline Excise Tax Fund be used for municipal street expenditures.

FINDING NUMBER 2008-006
(Continued)

Ohio Rev. Code, Section 4501.04(A), 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.

The Village expended monies for mowing and trimming services at the Village Hall out of their Street Construction, Maintenance and Repair Fund in 2007 totaling \$530. This expense was for an item not allowed per the Ohio Revised Code. We recommend that the Village only expend monies received for gasoline excise tax, gasoline cents per gallon, and motor vehicle license tax for allowable items. The Village recorded an audit adjustment to their financial statements and accounting records to move the expense to their General fund.

Officials Response:

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

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**VILLAGE OF BUTLERVILLE
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Finding for Adjustment/Material Noncompliance over posting of receipts	No	Partially corrected; Finding for Adjustment was corrected. Reported as Finding 2008-001
2006-002	Material Noncompliance for Illegal Advances	No	Not corrected; Reported as Finding 2008-002
2006-003	Ohio Rev. Code Section 5705.41D for not properly encumbering	No	Not corrected; Reported as Finding 2008-003.
2006-004	Material Noncompliance over Budgetary	No	Not corrected; Reported as Finding 2008-004.
2006-005	Material Noncompliance over Budgetary	No	Not corrected; Reported as Finding 2008-005.



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
JANUARY 12, 2010**