



Dave Yost • Auditor of State

VILLAGE OF BURGOON
SANDUSKY COUNTY

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Dave Yost • Auditor of State

Village of Burgoon
Sandusky County
2580 Zilphia Street
P.O. Box 56
Burgoon, Ohio 43407-0056

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 13, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Burgoon
Sandusky County
2580 Zilphia Street
P.O. Box 56
Burgoon, Ohio 43407-0056

To the Village Council:

We have audited the accompanying financial statements of the Village of Burgoon, Sandusky County, (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. 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following

paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 or cash flows, where applicable 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 Burgoon, Sandusky County, 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.

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 May 13, 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.



Dave Yost
Auditor of State

May 13, 2011

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$18,034	\$1,592	\$19,626
Intergovernmental	13,922	7,397	21,319
Fines, Licenses and Permits	686		686
Earnings on Investments	51	51	102
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	32,693	9,040	41,733
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,251		2,251
Leisure Time Activities	3,031		3,031
Basic Utility Service	5,900		5,900
Transportation		2,520	2,520
General Government	18,739		18,739
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	29,921	2,520	32,441
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	2,772	6,520	9,292
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	28,455	63,597	92,052
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$31,227</u>	<u>\$70,117</u>	<u>\$101,344</u>

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

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$59,601
Operating Cash Disbursements:	
Personal Services	300
Contractual Services	11,714
Supplies and Materials	741
Total Operating Cash Disbursements	12,755
Operating Income	46,846
Non-Operating Cash Disbursements:	
Redemption of Principal	7,836
Interest and Other Fiscal Charges	22,435
Total Non-Operating Cash Disbursements	30,271
Excess of Receipts Over Disbursements Before Interfund Transfers	16,575
Transfers-In	33,218
Transfers-Out	(33,218)
Net Receipts Over Disbursements	16,575
Fund Cash Balances, January 1	109,185
Fund Cash Balances, December 31	\$125,760

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

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$18,400	\$1,574	\$19,974
Intergovernmental	14,602	6,998	21,600
Earnings on Investments	44	44	88
	<u>33,046</u>	<u>8,616</u>	<u>41,662</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,744		2,744
Leisure Time Activities	2,823		2,823
Community Environment	32		32
Basic Utility Service	5,400		5,400
Transportation		1,275	1,275
General Government	18,557		18,557
Capital Outlay	1,170		1,170
	<u>30,726</u>	<u>1,275</u>	<u>32,001</u>
Total Receipts Over Disbursements	<u>2,320</u>	<u>7,341</u>	<u>9,661</u>
Other Financing Disbursement:			
Transfers-Out	<u>(1,270)</u>		<u>(1,270)</u>
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursement	1,050	7,341	8,391
Fund Cash Balances, January 1	<u>27,405</u>	<u>56,256</u>	<u>83,661</u>
Fund Cash Balances, December 31	<u>\$28,455</u>	<u>\$63,597</u>	<u>\$92,052</u>

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

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$57,049
Operating Cash Disbursements:	
Personal Services	1,599
Contractual Services	11,217
Supplies and Materials	753
Total Operating Cash Disbursements	13,569
Operating Income	43,480
Non-Operating Cash Disbursements:	
Redemption of Principal	7,717
Interest and Other Fiscal Charges	22,693
Total Non-Operating Cash Disbursements	30,410
Excess of Receipts Over Disbursements Before Interfund Transfers	13,070
Transfers-In	33,061
Transfers-Out	(31,791)
Net Receipts Over Disbursements	14,340
Fund Cash Balances, January 1	94,845
Fund Cash Balances, December 31	\$109,185

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

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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 Burgoon, Sandusky County, (the Village) as a body corporate and politic. A publicly-elected four-member Council directs the Village. The Village provides water and sewer utilities, park operations, fire protection, and police services. The Sandusky county Sheriff's department provides security of persons and property. The Bettsville Volunteer fire Department 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. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 Fund

This fund accounts 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.

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Enterprise Funds

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

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Sinking Fund - This fund receives transfers from the Sewer fund to pay principal and interest on the Sanitary Sewer Revenue Bonds.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

E. 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.

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. Equity in Pooled Cash

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:

	2010	2009
Total deposits	\$227,104	\$201,237

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,275	\$32,693	\$1,418
Special Revenue	9,000	9,040	40
Enterprise	46,000	92,819	46,819
Total	\$86,275	\$134,552	\$48,277

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,541	\$29,921	(\$23,380)
Special Revenue	2,048	2,520	(472)
Enterprise	32,614	76,244	(43,630)
Total	\$41,203	\$108,685	(\$67,482)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,798	\$33,046	\$1,248
Special Revenue	9,000	8,616	(384)
Debt Service	1,271		(1,271)
Enterprise	46,000	90,110	44,110
Total	\$88,069	\$131,772	\$43,703

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,427	\$31,996	(\$23,569)
Special Revenue	1,040	1,275	(235)
Enterprise	31,306	75,770	(44,464)
Total	\$40,773	\$109,041	(\$68,268)

Contrary to Ohio law, permanent appropriation measures were not passed and expenditure transactions were not all certified by the Fiscal Officer.

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. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Sewage System Mortgage Revenue Bonds	\$523,300	4.125%
Ohio Water Development Authority Loan	59,028	1.000%
Total	\$582,328	

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

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Debt (Continued)

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

The sanitary sewer revenue bond covenant requires the Village to establish and fund a sewer reserve fund, a sewer sinking fund, and sewer surplus fund. The balance in the sewer reserve fund at December 31, 2010 is \$10,930. The balance in the sewer sinking fund at December 31, 2010 is \$27,886.

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

Year ending December 31:	Mortgage Revenue Bonds	OWDA Loan
2011	\$27,886	\$2,541
2012	27,826	2,541
2013	27,758	2,541
2014	27,882	2,541
2015	27,789	2,541
2016-2020	139,059	12,706
2021-2025	139,078	12,706
2026-2030	139,118	12,706
2031-2035	139,113	12,706
2036-2040	139,097	3,812
2041-2045	139,066	
2046-2047	55,663	
Total	<u>\$1,029,335</u>	<u>\$67,341</u>

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Automobile liability; and
- Excess/Umbrella liability.



Dave Yost • 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 Burgoon
Sandusky County
2580 Zilphia Street
P.O. Box 56
Burgoon, Ohio 43407-0056

To the Village Council:

We have audited the financial statements of the Village of Burgoon, Sandusky County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 13, 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 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 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 findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2010-003 described in the accompanying schedule of findings to be a material weakness.

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 item 2010-001, 2010-002 and 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 13, 2011.

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

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



Dave Yost
Auditor of State

May 13, 2011

VILLAGE OF BURGOON
SANDUSKY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states 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 for the order or contract 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. Every such 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 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, each of 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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Council.

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** – Council 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 may, but need not, be limited to a specific vendor. 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.

Seventy-Six percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence Council followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, Council did not pass a resolution establishing limit amounts for regular blanket certificates.

Certification is not only required by Ohio law, but it is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Council funds being over expended or exceeding budgetary spending limitations as set by Council. Council should establish a limit for the blanket certificates by resolution. In addition, to improve controls over disbursements, we recommend all Council disbursements receive prior certification from the Fiscal Officer and Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the fiscal officer and recorded against appropriations.

FINDING NUMBER 2010-002

Noncompliance Citation

Ohio Revised Code § 5705.38(A) requires 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. **Ohio Revised Code § 5705.38(C)** requires the minimum level of budgetary control for subdivisions, (Appropriation measures) shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

The Village approved temporary appropriations but never passed a permanent appropriation ordinance. As a result all expenditures made by the Village after March 31st in 2009 and 2010 exceeded the appropriation authority contrary to **Ohio Revised Code § 5705.41(B)**. We recommend the Village pass an annual appropriation ordinance at the required legal level of control.

FINDING NUMBER 2010-003

Material Weakness

Noncompliance Citation

Village Ordinance #2007/3 and Sanitary Sewer System Mortgage Revenue Bonds Agreement dated January 9, 2007 states the Fiscal Officer is hereby directed to create the following funds into which the Bond proceeds and the revenues and income from the System shall be deposited:

1. Retirement of the Interim Loan Fund – established for the Interim Loan and withdrawn in accordance with Ohio law only for the purpose of paying principal and interest due on the Interim Loan.
2. Sanitary Sewer System Revenue Fund – revenues shall be set aside upon receipt by the Village and expended and used only as described below:
 - a. Operating Expenses – all reasonable and proper expenses of operating and maintaining the System.
 - b. Sanitary Sewer System Mortgage Revenue Bond and Interest Sinking Fund – monies transferred monthly from the revenue fund for the following years principal and interest on the bonds.
 - c. Reserve Fund – the sum of \$232.55 shall be deposited monthly until there is \$27,906 accumulated and shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the System.

- d. Surplus Fund – any moneys remaining in the revenue fund after reserving therein an adequate amount as working capital for the System shall be transferred to this fund and shall be used to pay the principal of the interest on the bonds to the extent moneys in the Sinking Fund and the Reserve Fund are insufficient.
- e. The moneys in the above funds may be invested in accordance with applicable State laws. Any such investment and the interest earned thereon shall be a part of the fund from which the investment was made.

The Village did not establish the above mentioned funds until the adjustment was made during the audit. This was in default of the agreement and could have resulted in immediate repayment of the bonds. We recommend the Village review Village Ordinance #2007/3 and comply with the requirements.

The accompanying financial statements and the Village's accounting system have been adjusted to correct these errors.

Officials' Response:

Please be advised that all deficiencies and shortcomings discovered in this year's audit have been noted and will be addressed and corrected accordingly.

**VILLAGE OF BURGOON
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Noncompliance citation – ORC 5705.41(D)(1) failure to certify expenditures.	No	Not Corrected. Repeated as Finding #2009-001 in this report.
2008-002	Material Weakness Noncompliance citation - Village Ordinance #2007/3 failure to establish funds.	No	Not Corrected. Repeated as Finding #2009-003 in this report.
2008-003	Material Weakness – Financial Reporting	No	Partially Corrected. Repeated in the management letter.



Dave Yost • Auditor of State

VILLAGE OF BURGOON

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 31, 2011