



**Auditor of State  
Betty Montgomery**



VILLAGE OF BURTON  
GEAUGA COUNTY

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**Auditor of State  
Betty Montgomery**

Village of Burton  
Geauga County  
14588 West Park Street  
Burton, Ohio 44021

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 a February 2, 2005 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 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 "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 5, 2005

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Burton  
Geauga County  
14588 West Park Street  
Burton, Ohio 44021

To the Village Council:

We have audited the accompanying financial statements of the Village of Burton, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2004 and December 31, 2003. 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 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

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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 Burton, Geauga County, Ohio as of December 31, 2004 and December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 August 5, 2005, 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.



**Betty Montgomery**  
Auditor of State

August 5, 2005



**VILLAGE OF BURTON  
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$69,289	\$531,972		\$601,261
Special Assessments		25,895	\$14,608	40,503
Intergovernmental Receipts	54,921	106,612	146,500	308,033
Charges for Services	14,903	9,187		24,090
Fines, Licenses, and Permits	895	7,280		8,175
Earnings on Investments	8,197			8,197
Miscellaneous	119,279	3,406		122,685
	<u>267,484</u>	<u>684,352</u>	<u>161,108</u>	<u>1,112,944</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property		340,259		340,259
Public Health Services		10,685		10,685
Leisure Time Activities	12,900	14,183		27,083
Community Environment	11,377			11,377
Transportation		174,606		174,606
General Government	131,763	15,724		147,487
Debt Service:				
Financing and Other Debt-Service Related			19,314	19,314
Capital Outlay		7,568	280,407	287,975
	<u>156,040</u>	<u>563,025</u>	<u>299,721</u>	<u>1,018,786</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>111,444</u>	<u>121,327</u>	<u>(138,613)</u>	<u>94,158</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		230,000	181,775	411,775
Transfers-Out	(56,900)	(345,500)		(402,400)
Other Sources		7,209	227	7,436
Other Uses	(14,466)	(622)		(15,088)
	<u>(71,366)</u>	<u>(108,913)</u>	<u>182,002</u>	<u>1,723</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	40,078	12,414	43,389	95,881
<b>Fund Cash Balances, January 1, 2004</b>	<u>266,913</u>	<u>325,720</u>	<u>142,380</u>	<u>735,013</u>
<b>Fund Cash Balances, December 31, 2004</b>	<u><b>\$306,991</b></u>	<u><b>\$338,134</b></u>	<u><b>\$185,769</b></u>	<u><b>\$830,894</b></u>

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

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$448,152		448,152
Total Operating Cash Receipts	<u>448,152</u>	<u>\$0</u>	<u>448,152</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	123,514		123,514
Travel Transportation	451		451
Contractual Services	142,505		142,505
Supplies and Materials	9,859		9,859
Capital Outlay	23,445		23,445
Total Operating Cash Disbursements	<u>299,774</u>	<u>0</u>	<u>299,774</u>
Operating Income/(Loss)	<u>148,378</u>	<u>0</u>	<u>148,378</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	53,912	361	54,273
Total Non-Operating Cash Receipts	<u>53,912</u>	<u>361</u>	<u>54,273</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	100,757		100,757
Other Non-Operating Cash Disbursements	1,200		1,200
Total Non-Operating Cash Disbursements	<u>101,957</u>	<u>0</u>	<u>101,957</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	100,333	361	100,694
Transfers-In	111,675		111,675
Transfers-Out	<u>(121,050)</u>		<u>(121,050)</u>
Net Receipts Over/(Under) Disbursements	90,958	361	91,319
Fund Cash Balances, January 1, 2004	<u>840,484</u>	<u>23,585</u>	<u>864,069</u>
<b>Fund Cash Balances, December 31, 2004</b>	<b><u><u>\$931,442</u></u></b>	<b><u><u>\$23,946</u></u></b>	<b><u><u>\$955,388</u></u></b>

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

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$73,238	\$530,899		\$604,137
Special Assessments		26,623		26,623
Intergovernmental Receipts	66,151	137,149	\$289,005	492,305
Charges for Services	21,362	6,109		27,471
Fines, Licenses, and Permits	1,880	7,841		9,721
Earnings on Investments	12,472			12,472
Miscellaneous	41,025	2,656		43,681
	<u>216,128</u>	<u>711,277</u>	<u>289,005</u>	<u>1,216,410</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property		294,524		294,524
Public Health Services		14,673		14,673
Leisure Time Activities	16,462	4,999		21,461
Community Environment	8,785			8,785
Transportation		176,868		176,868
General Government	161,996	34,427		196,423
Debt Service:				
Financing and Other Debt-Service Related			22,128	22,128
Capital Outlay			452,427	452,427
	<u>187,243</u>	<u>525,491</u>	<u>474,555</u>	<u>1,187,289</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>28,885</u>	<u>185,786</u>	<u>(185,550)</u>	<u>29,121</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Fixed Assets	2,275			2,275
Transfers-In		240,250	215,082	455,332
Transfers-Out	(69,981)	(370,250)		(440,231)
Other Uses	(21,467)	(1,667)		(23,134)
	<u>(89,173)</u>	<u>(131,667)</u>	<u>215,082</u>	<u>(5,758)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(60,288)	54,119	29,532	23,363
Fund Cash Balances, January 1, 2003	<u>327,201</u>	<u>271,601</u>	<u>112,848</u>	<u>711,650</u>
<b>Fund Cash Balances, December 31, 2003</b>	<u><b>\$266,913</b></u>	<u><b>\$325,720</b></u>	<u><b>\$142,380</b></u>	<u><b>\$735,013</b></u>

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

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$493,323		\$493,323
Total Operating Cash Receipts	<u>493,323</u>	<u>\$0</u>	<u>493,323</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	112,270		112,270
Travel Transportation	239		239
Contractual Services	145,313		145,313
Supplies and Materials	10,513		10,513
Capital Outlay	13,364		13,364
Total Operating Cash Disbursements	<u>281,699</u>	<u>0</u>	<u>281,699</u>
Operating Income/(Loss)	<u>211,624</u>	<u>0</u>	<u>211,624</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	39,286		39,286
Total Non-Operating Cash Receipts	<u>39,286</u>	<u>0</u>	<u>39,286</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	105,041		105,041
Total Non-Operating Cash Disbursements	<u>105,041</u>	<u>0</u>	<u>105,041</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	145,869	0	145,869
Transfers-In	122,089		122,089
Transfers-Out	(137,190)		(137,190)
Net Receipts Over/(Under) Disbursements	130,768	0	130,768
Fund Cash Balances, January 1, 2003	<u>709,716</u>	<u>23,585</u>	<u>733,301</u>
<b>Fund Cash Balances, December 31, 2003</b>	<b><u><u>\$840,484</u></u></b>	<b><u><u>\$23,585</u></u></b>	<b><u><u>\$864,069</u></u></b>

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

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**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 Burton, Geauga County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government, including water and sewer utilities, park operations, and police 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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The repurchase agreements are valued at cost. The investments in Star Ohio (the State Treasurer's investment pool) are valued at amounts reported by the State Treasurer.

**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 Fund**

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.

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund (Continued)**

Police Department Fund - This fund is used to account for property taxes and transfers from the General Fund which is used to pay for the police department obligations.

Income Tax Fund - This fund receives 1 percent municipal income tax on substantially all earned income arising from employment within the Village and certain income of residents earned outside of the Village.

**3. Capital Project Funds**

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

Carlton Street Project Issue II Fund - This fund is used to pay for water, sanitary and storm sewer line improvements.

Street Capitalization Fund – This fund is used to pay for street repair projects within the Village.

**4. 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:

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

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

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had a cemetery non-expendable trust fund during the audit period.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. 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 commitments are made. The Village did not encumber all commitments required by law.

A summary of 2004 and 2003 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	2004	2003
Demand deposits	\$870,176	\$65,000
Total deposits	870,176	65,000
STAR Ohio	858,064	772,104
Repurchase agreement	58,042	761,978
Total investments	916,106	1,534,082
Total deposits and investments	\$1,786,282	\$1,599,082

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool. Although the Village followed all state statutory requirements for these deposits, noncompliance with federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Sweep Account is held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$171,763	\$267,484	\$95,721
Special Revenue	908,488	921,561	13,073
Capital Projects	328,700	343,110	14,410
Enterprise	625,738	613,739	(11,999)
Fiduciary	350	361	11
Total	\$2,035,039	\$2,146,255	\$111,216

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$270,446	\$227,406	\$43,040
Special Revenue	1,067,410	909,147	158,263
Capital Projects	400,728	299,721	101,007
Enterprise	592,976	522,781	70,195
Fiduciary	170	0	170
Total	\$2,331,730	\$1,959,055	\$372,675



**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$214,899	\$218,403	\$3,504
Special Revenue	971,300	951,527	(19,773)
Capital Projects	509,150	504,087	(5,063)
Enterprise	654,000	654,698	698
Fiduciary	350	0	(350)
Total	\$2,349,699	\$2,328,715	(\$20,984)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$374,390	\$278,691	\$95,699
Special Revenue	1,001,413	897,408	104,005
Capital Projects	541,300	474,555	66,745
Enterprise	828,900	523,930	304,970
Fiduciary	1,000	0	1,000
Total	\$2,747,003	\$2,174,584	\$572,419

Contrary to ORC 5705.41 (D)(1), sixty of the sixty expenditures tested or \$47,324 of the tested expenditures for the years ended December 31, 2004 and 2003, had the expenditure commitment entered into prior to receiving the Fiscal Officer's certification.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds - Water	\$95,000	7.13%
Mortgage Revenue Bonds - Sewer	157,000	5.00%
Burton Health Care Bonds	205,000	6.15%
Ohio Public Works Issue II Loan	115,500	0%
Ohio Public Works Issue II Loan	19,800	0%
Total	<u>\$592,300</u>	

The Mortgage Revenue Bonds – Water, relate to water construction project in 1987. The bonds were issued in the amount of \$550,000 and will be repaid in annual varying principal installments plus interest over 20 years.

The Mortgage Revenue Bonds – Sewer, relate to a sewer construction project in 1976. The bonds were issued in the amount of \$296,000 and will be repaid in annual varying principal installments plus interest over 40 years.

The Bond Health Care Bonds relate to a water main construction project. These Special Assessment Bonds were issued in the amount of \$323,000. The Bonds will be repaid in annual varying principal installments plus interest over 15 years.

The Ohio Publics Works Issue II Loan, relates to water, sanitary and storm sewer line improvements. This no interest loan was issued in 2001 in the amount of \$165,000 and will be repaid semi-annual installments of \$8,250 over 10 years.

The Ohio Public Works Issue II Loan, relates to water, sanitary, and storm sewer line improvements. This no interest loan was issued in 2004 in the amount of \$19,800 and will be repaid semi-annual installments of \$990 over 10 years.

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. DEBT (Continued)**

Amortization of the above debt, including interest, follows:

Year ending December 31:	Mortgage Revenue Bonds - Water	Mortgage Revenue Bonds - Sewer System	Burton Health Care Bonds	Ohio Public Works Issue II Loan	Ohio Public Works Issue II Loan
2005	\$51,769	\$17,850	\$32,608	\$16,500	\$1,980
2006	53,563	17,350	31,378	16,500	1,980
2007	0	17,850	35,148	16,500	1,980
2008	0	17,300	33,610	16,500	1,980
2009	0	17,750	32,073	16,500	1,980
2010-2016	0	124,550	101,070	33,000	9,900
Total	<u>\$105,332</u>	<u>\$212,650</u>	<u>\$265,887</u>	<u>\$115,500</u>	<u>\$19,800</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance to full-time employees through a private carrier.

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**9. SHARED RISK POOL**

The Village is a participant in the Ohio Municipal League Group Rating Plan (OML), an insurance purchasing pool. The OML's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

**10. CONTINGENT LIABILITIES**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.



**Auditor of State  
Betty Montgomery**

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

Village of Burton  
Geauga County  
14588 West Park Street  
Burton, Ohio 44021

To the Village Council:

We have audited the financial statements of the Village of Burton, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated August 5, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable condition listed above to be a material weakness. In a separate letter to the Village's management dated August 5, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated August 5, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

August 5, 2005

VILLAGE OF BURTON  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003

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

\* The comment with an asterisk (\*) denotes a comment which was previously brought to management's attention for the year ended December 31, 2002, in which no corrective action has been taken.

FINDING NUMBER 2004-001

Noncompliance Citation:

Fiscal Officer Certification

Ohio Revised Code Section 5705.41(D)(1) 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 (\$1,000 prior to April 7, 2003) 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(CONTINUED)**

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

**FINDING NUMBER 2004-001**

**Noncompliance Citation (Continued):**

**Fiscal Officer Certification (Continued)**

One hundred percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exception. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the 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 Village certify purchases to which 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.



VILLAGE OF BURTON  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(CONTINUED)

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

FINDING NUMBER 2004-002

**Material Weakness:**

**Monitoring\***

To improve controls over monitoring revenue and expenditures and ensure accountability, the Council should expand their fiscal monitoring procedures. We recommend the following controls to help insure all financial transactions are properly accounted for:

- 1) The Council should review the expenditure reports provided and compare them to the expenditure reports issued off the USTI Asyst system.
- 2) The Council should ensure accurate accountability over the check numbers is maintained. Any check numbers not properly accounted for and any hand written checks should be reviewed.
- 3) The Council should review the bank reconciliations to determine if they are properly reconciled to the USTI Asyst system. Any adjustments should be thoroughly reviewed. Bank statements can be utilized to compare the amount of expenditures made to the expenditure reports given to them.
- 4) The Council should review all revenues received by the Village. These revenues should have an appropriate receipt and/or pay-ins written. These receipts and/or pay-ins should be reconciled to deposits made and postings to the USTI Asyst system. A comparison of receipts issued to the postings made to the system would help detect any monies received and not properly accounted for. Any donations given to the Village should be properly approved by the Council and noted in the minutes.
- 5) The Council should approve all invoices and investigate all carryover amounts listed on the invoices.
- 6) A member of Council or the Mayor, in addition to the Fiscal Officer, should sign all checks.
- 7) The Council should review purchase orders to verify payments are being made in accordance with the purchase orders.

By implementing these controls the Village will ensure proper accountability over their financial transactions.





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**VILLAGE OF BURTON**

**GEAUGA 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  
SEPTEMBER 13, 2005**