



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF BURTON
GEAUGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2018.....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2018.....	4
Notes to the Financial Statements – For the Year Ended December 31, 2018	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2017.....	13
Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2017.....	14
Notes to the Financial Statements – For the Year Ended December 31, 2017	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings	25
Summary Schedule of Prior Audit Findings	29

This Page Intentionally Left Blank.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Village of Burton
Geauga County
14588 West Park Street
P.O. Box 408
Burton, OH 44021

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Burton, Geauga County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Burton, Geauga County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 24, 2020

Village of Burton
Geauga County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$80,954	\$233,214		\$314,168
Municipal Income Tax	626,608			626,608
Intergovernmental	40,169	106,379		146,548
Special Assessments		29,007		29,007
Charges for Services	37,812	29,781		67,593
Fines, Licenses and Permits	725	3,521		4,246
Earnings on Investments	10,785	3,511		14,296
Miscellaneous	5,241	3,248		8,489
<i>Total Cash Receipts</i>	<u>802,294</u>	<u>408,661</u>	<u>0</u>	<u>1,210,955</u>
Cash Disbursements				
Current:				
Security of Persons and Property		470,625		470,625
Public Health Services		13,958		13,958
Leisure Time Activities	11,443	16,144		27,587
Community Environment	13,511	28,905		42,416
Basic Utility Services				0
Transportation		201,839		201,839
General Government	213,017			213,017
Capital Outlay		1,430		1,430
Debt Service:				
Principal Retirement			\$10,408	10,408
Interest and Fiscal Charges			181	181
<i>Total Cash Disbursements</i>	<u>237,971</u>	<u>732,901</u>	<u>10,589</u>	<u>981,461</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>564,323</u>	<u>(324,240)</u>	<u>(10,589)</u>	<u>229,494</u>
Other Financing Receipts (Disbursements)				
Transfers In		306,000	25,000	331,000
Transfers Out	(331,000)			(331,000)
Other Financing Sources	297	1,550		1,847
Other Financing Uses	(2,498)			(2,498)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(333,201)</u>	<u>307,550</u>	<u>25,000</u>	<u>(651)</u>
<i>Net Change in Fund Cash Balances</i>	231,120	(16,690)	14,411	228,841
<i>Fund Cash Balances, January 1</i>	<u>1,019,814</u>	<u>443,250</u>	<u>23,527</u>	<u>1,486,591</u>
Fund Cash Balances, December 31				
Restricted		316,467	795	317,262
Committed		21,436	4,411	25,847
Assigned	224,338	88,657	32,732	345,727
Unassigned (Deficit)	1,026,596			1,026,596
<i>Fund Cash Balances, December 31</i>	<u>\$1,250,934</u>	<u>\$426,560</u>	<u>\$37,938</u>	<u>\$1,715,432</u>

See accompanying notes to the basic financial statements

Village of Burton
Geauga County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Type	Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$834,248	\$3,350		\$837,598
Fines, Licenses and Permits		1,015		1,015
Earnings on Investments (trust funds only)			\$88	88
Miscellaneous	28,096			28,096
<i>Total Operating Cash Receipts</i>	<u>862,344</u>	<u>4,365</u>	<u>88</u>	<u>866,797</u>
Operating Cash Disbursements				
Personal Services	159,181			159,181
Employee Fringe Benefits	54			54
Contractual Services	501,522	452		501,974
Supplies and Materials	55,111			55,111
Other	11,495	1,900		13,395
<i>Total Operating Cash Disbursements</i>	<u>727,363</u>	<u>2,352</u>		<u>729,715</u>
<i>Operating Income (Loss)</i>	<u>134,981</u>	<u>2,013</u>	<u>88</u>	<u>137,082</u>
Non-Operating Receipts (Disbursements)				
Earnings on Investments (proprietary funds only)	17,633			17,633
Principal Retirement	(46,832)			(46,832)
Interest and Other Fiscal Charges	(386)			(386)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(29,585)</u>	<u>0</u>	<u>0</u>	<u>(29,585)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	105,396	2,013	88	107,497
Transfers In	445,000			445,000
Transfers Out	(445,000)			(445,000)
<i>Net Change in Fund Cash Balances</i>	105,396	2,013	88	107,497
<i>Fund Cash Balances, January 1</i>	2,265,896	14,124	22,077	2,302,097
<i>Fund Cash Balances, December 31</i>	<u>\$2,371,292</u>	<u>\$16,137</u>	<u>\$22,165</u>	<u>\$2,409,594</u>

See accompanying notes to the basic financial statements

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Burton, Geauga County, as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park and street operations, and police services. The Village contracts with Burton Volunteer Fire Department to receive fire protection services. The Village appropriates Special Revenue fund money to pay for fire and rescue services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Operating Fund - This fund receives gasoline tax and motor vehicle tax money for maintaining, and repairing Village streets.

Police Operating Fund – This fund receives Police levy money for operation and support of protective services including vehicles, wages, and operating costs.

Fire and Rescue Fund - This fund receives Fire levy money for the purpose of contracting and supplying Fire, EMS and rescue support for the Village.

Street Light Assessment – This fund receives a special assessment from all property owners to pay for street lights in the Village.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies – (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Equipment Capitalization Fund – This fund receives transfers from the General Fund to purchase or acquire new capital equipment (vehicles, tractors, machinery) for the Village.

Street Capitalization Fund – This fund receives advances from the General Fund to construct, maintain and repair streets, parking lots and storm sewers in the Village.

Facilities Capitalization Fund – This fund receives transfers from the General Fund to purchase, maintain and repair buildings and facilities owned and maintained by the Village.

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:

Water Operating Fund – The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund – The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sewer service cost.

Sewer Tap In Fees Fund – This fund receives funds from Sewer tap in fees and Sewer Fund Transfer to cover initial costs of design and improvement of the Village wastewater treatment plant.

Water Distributions Systems Capital Fund – This fund receives transfers from the Water Operating Fund to cover maintenance and repair of the water infrastructure in the Village.

Waterworks Replace and Improvement Fund – This fund receives transfers from the Water Fund to cover future painting and maintenance or replacement of the water tower.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust funds are for the benefit of the cemetery endowment, Ford Memorial and the Village of Burton.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for Mayor's permit, Annexation review, and Zoning Appeals deposits and related charges.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies - (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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 approve estimated resources.

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 re-appropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies - (Continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Non-spendable The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$647,469	\$802,591	\$155,122
Special Revenue	747,348	716,211	(31,137)
Capital Projects	85,000	25,000	(60,000)
Enterprise	1,276,391	1,324,977	48,586
Fiduciary	17,284	4,453	(12,831)
Total	\$2,756,208	\$2,873,232	\$112,571

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 733,134	\$ 571,469	\$ (161,665)
Special Revenue	908,187	732,901	(175,286)
Capital Projects	75,000	10,589	(64,411)
Enterprise	1,647,611	1,219,581	(428,030)
Fiduciary	52,000	2,352	(49,648)
Total	\$ 3,415,932	\$ 2,536,892	\$ (879,040)

Note 4 - Deposits and Investments

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

Demand deposits	2018
	\$4,125,026

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 - Taxes

Property Taxes

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.

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

Income Taxes

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.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plans - (Continued)

Ohio Police and Fire Retirement System

All of the Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

Several of the Village's elected officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The elected officials contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 4 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

As of January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Construction Commitments

The Village of Burton is in the process of a sewer plant expansion project to provide needed capacity prior to any Ohio Environmental Protection Agency mandate for the construction. The project is expected to be complete by the end of 2019. The Village has an agreement with the Ohio Water Development Authority to pay for the construction costs, and will begin payment on an OWDA loan related to the sewer plant expansion in July of 2020.

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

This page intentionally left blank.

Village of Burton
Geauga County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$73,214	\$216,335		\$289,549
Municipal Income Tax	639,452			639,452
Intergovernmental	38,568	109,698		148,266
Special Assessments		27,801		27,801
Charges for Services	13,561	29,315		42,876
Fines, Licenses and Permits	22,671	1,914		24,585
Earnings on Investments	8,690	3,651		12,341
Miscellaneous	7,622	2,225		9,847
<i>Total Cash Receipts</i>	<u>803,778</u>	<u>390,939</u>	<u>0</u>	<u>1,194,717</u>
Cash Disbursements				
Current:				
Security of Persons and Property		426,255		426,255
Public Health Services		9,845		9,845
Leisure Time Activities	17,920	13,143		31,063
Community Environment	12,165	29,117		41,282
Transportation		192,779		192,779
General Government	173,674			173,674
Capital Outlay		1,540	\$47,089	48,629
Debt Service:				
Principal Retirement			20,283	20,283
Interest and Fiscal Charges			895	895
<i>Total Cash Disbursements</i>	<u>203,759</u>	<u>672,679</u>	<u>68,267</u>	<u>944,705</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>600,019</u>	<u>(281,740)</u>	<u>(68,267)</u>	<u>250,012</u>
Other Financing Receipts (Disbursements)				
Transfers In		356,000	24,089	380,089
Transfers Out	(380,089)			(380,089)
Other Financing Sources	5,410	3,790		9,200
Other Financing Uses	(8,766)			(8,766)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(383,445)</u>	<u>359,790</u>	<u>24,089</u>	<u>434</u>
<i>Net Change in Fund Cash Balances</i>	216,574	78,050	(44,178)	250,446
<i>Fund Cash Balances, January 1</i>	<u>803,240</u>	<u>365,202</u>	<u>67,705</u>	<u>1,236,147</u>
Fund Cash Balances, December 31				
Restricted		349,060	795	349,855
Committed		20,436		20,436
Assigned	11,343	73,756	22,732	107,831
Unassigned (Deficit)	1,008,471			1,008,471
<i>Fund Cash Balances, December 31</i>	<u>\$1,019,814</u>	<u>\$443,252</u>	<u>\$23,527</u>	<u>\$1,486,593</u>

See accompanying notes to the basic financial statements

Village of Burton
Geauga County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Type	Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$824,025	\$5,550		\$829,575
Fines, Licenses and Permits		750		750
Earnings on Investments (trust funds only)			\$85	85
Miscellaneous	1,243			1,243
<i>Total Operating Cash Receipts</i>	<u>825,268</u>	<u>6,300</u>	<u>85</u>	<u>831,653</u>
Operating Cash Disbursements				
Personal Services	181,046			181,046
Employee Fringe Benefits	557			557
Contractual Services	145,312	632		145,944
Supplies and Materials	29,842			29,842
Other	18,395	9,475		27,870
<i>Total Operating Cash Disbursements</i>	<u>375,152</u>	<u>10,107</u>	<u>0</u>	<u>385,259</u>
<i>Operating Income (Loss)</i>	<u>450,116</u>	<u>(3,807)</u>	<u>85</u>	<u>446,394</u>
Non-Operating Receipts (Disbursements)				
Earnings on Investments (proprietary funds only)	15,478			15,478
Capital Outlay	(59,801)			(59,801)
Principal Retirement	(93,509)			(93,509)
Interest and Other Fiscal Charges	(1,946)			(1,946)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(139,778)</u>	<u>0</u>	<u>0</u>	<u>(139,778)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	310,338	(3,807)	85	306,616
Transfers In	70,000			70,000
Transfers Out	(70,000)			(70,000)
<i>Net Change in Fund Cash Balances</i>	310,338	(3,807)	85	306,616
<i>Fund Cash Balances, January 1</i>	<u>1,955,558</u>	<u>17,931</u>	<u>21,992</u>	<u>1,995,481</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,265,896</u></u>	<u><u>\$14,124</u></u>	<u><u>\$22,077</u></u>	<u><u>\$2,302,097</u></u>

See accompanying notes to the basic financial statements

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Burton, Geauga County, as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park and street operations, and police services. The Village contracts with Burton Volunteer Fire Department to receive fire protection services. The Village appropriates Special Revenue fund money to pay for fire and rescue services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Operating Fund - This fund receives gasoline tax and motor vehicle tax money for maintaining, and repairing Village streets.

Police Operating Fund – This fund receives Police levy money for operation and support of protective services including vehicles, wages, and operating costs.

Fire and Rescue Fund - This fund receives Fire levy money for the purpose of contracting and supplying Fire, EMS and rescue support for the Village.

Street Light Assessment – This fund receives a special assessment from all property owners to pay for street lights in the Village.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Equipment Capitalization Fund – This fund receives transfers from the General Fund to purchase or acquire new capital equipment (vehicles, tractors, machinery) for the Village.

Street Capitalization Fund – This fund receives advances from the General Fund to construct, maintain and repair streets, parking lots and storm sewers in the Village.

Facilities Capitalization Fund – This fund receives transfers from the General Fund to purchase, maintain and repair buildings and facilities owned and maintained by the Village.

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:

Water Operating Fund - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sewer service cost.

Sewer Tap In Fees Fund - This fund receives funds from Sewer tap in fees and Sewer Fund Transfer to cover initial costs of design and improvement of the Village wastewater treatment plant.

Water Distributions Systems Capital Fund – This fund receives transfers from the Water Operating Fund to cover maintenance and repair of the water infrastructure in the Village.

Waterworks Replace and Improvement Fund – This fund receives transfers from the Water Fund to cover future painting and maintenance or replacement of the water tower.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust funds are for the benefit of the cemetery endowment, Ford Memorial and the Village of Burton.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for Mayor's permit, Annexation review, and Zoning Appeals deposits and related charges.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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 approve estimated resources.

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.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 629,703	\$ 809,188	\$ 179,485
Special Revenue	809,899	750,729	(59,170)
Capital Projects	30,000	24,089	(5,911)
Enterprise	877,735	910,746	33,011
Fiduciary	17,342	6,385	(10,957)
Total	\$ 2,364,679	\$ 2,501,137	\$ 136,458

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$740,174	\$592,614	\$147,560
Special Revenue	779,337	672,679	106,658
Capital Projects	74,200	68,267	5,933
Enterprise	699,206	600,408	98,798
Fiduciary	52,000	10,107	41,893
Total	\$2,344,917	\$1,944,075	\$400,842

Note 4 – Deposits and Investments

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

	2017
Demand Deposits	\$ 3,788,690

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Taxes

Property Taxes

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.

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

Income Taxes

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.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Defined Benefit Pension Plans – (Continued)

Ohio Police and Fire Retirement System

All of the Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Several of the Village's elected officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The elected officials contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Lease- Police Vehicle	10,408	3%
Lease- Water Meter	22,614	3%
Ohio Water Development Authority Loan- Planning & Design Costs	123,591	0%
Total	\$156,613	

The Ohio Water Development Authority Loan relates to a sewer plant expansion project to provide needed capacity prior to any Ohio Environmental Protection Agency mandate. The OWDA approved up to \$247,184 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$24,718, including interest, over 5 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of Burton, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt – (Continued)

Leases

The Village signed a lease to own agreement with Tax-Exempt Leasing Corp. for the purchase of two police vehicles. Tax- Exempt Leasing Corp. approved a balance of \$59,830 for the purchase. The Village will repay the loan in semiannual installments of \$10,589, including interest, over 3 years. The Village's taxing authority collateralized the vehicle leases. The Village signed a lease to own agreement with Tax-Exempt Leasing Corp. for the purchase of four hundred sixty-eight remote read water meters. Tax- Exempt Leasing Corp. approved a balance of \$130,000 for the purchase. The Village will repay the loan in semiannual installments of \$23,009, including interest, over 3 years. Water and sewer receipts collateralize the meter purchase lease.

Amortization

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

Year ending December 31:	Leases	OWDA Loan
2018	33,598	49,437
2019		49,437
2020		24,717
Total	\$33,598	\$123,591

Debt Service Reserve Fund

The Water Plant Expansion trust agreement requires the Village to establish and fund a reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2017 is \$24,134.

Note 10 – Contingent Liabilities

The Village is defendant in one lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S 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
P.O. Box 408
Burton, OH 44021

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Burton, Geauga County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 24, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2018-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2018-001 described in the accompanying schedule of findings to be a significant deficiency.

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, opining 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 2018-001 was noncompliance.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 24, 2020

**VILLAGE OF BURTON
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 and 2017**

FINDING NUMBER 2018-001

Noncompliance Finding/Significant Deficiency – Water and Sewer Rates

Ohio Admin. Code §117-2-01(A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Subsection (C) (5) provides that internal control consists of the following component, among others: monitoring, which is a process that assesses the quality of internal control performance over time.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. Effective monitoring controls assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring controls should assist management in identifying unexpected results and/or possible misstatements. Reconciling bills issued by the Village to the rates established by Council is one example of an effective monitoring control.

Burton Village Board of Public Affairs Section 202 and 303 indicates the service fee to be applied to bills for water and sewer usage after minimum consumption.

Beginning January 1, 2017 the Village's water and sewer billing rates were set to increase by 3% from the proceeding fiscal year. The billing rates were not updated within the accounting system in accordance with the aforementioned sections for the year ended December 31, 2017. Due to this oversight, our Charges for Services – Utilities testing noted the following:

- Eleven out of twelve customer bills recalculated resulted in customers being undercharged a total of \$40.99 compared to the actual bills.

During our testing of Charges for Services - Utilities for the year ended December 31, 2018, we noted a lack of segregation of duties. One individual was responsible for entries into the billing system as well as posting adjustments to the billing system. Management did not run or review a monthly adjustment report which the Village's billing system was capable of running. Due to this lack of oversight, the following errors were noted:

- One out of twelve customer bills recalculated resulted in a customer being overcharged a total of \$8.40 compared to the actual bill.
- One out of twelve customer bills recalculated resulted in no late fee being charged when the bill was overdue by 42 days.

Failure to apply the correct charges for services rates can lead to the improper charging of customers, which could result in either not collecting revenues due to the Village or crediting/refunding overcharges. Furthermore, inadequate segregation of duties or independent checks increases the Village's susceptibility to error, misstatement or misappropriation of funds.

The Village should implement control measures to verify charges for services rates are correctly entered into the billing system. Additionally, the Village should revise its control mechanisms or add additional compensating controls to increase its segregation of duties involving Charges for Services - Utilities.

Official's Response: The Village of Burton has reviewed and acknowledged the finding and will take corrective action to correct the issues noted in the future.

FINDING NUMBER 2018-002

Material Weakness- Financial Statement Adjustments

In our audit engagement letter, as required by **AU-C Section 210**, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. **Governmental Accounting Standards Board (GASB) Statement No. 54** – Fund Balance Reporting and Governmental Fund Type Definitions introduced five fund balance classifications and clarified the existing governmental fund type definitions. **Statement 54 Paragraph 15** indicates when an appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. Auditor of State Bulletin 2011-004 provides additional guidance on GASB Statement 54.

The following errors were identified in the 2018 financial statements:

- General fund miscellaneous receipts, general government disbursements and unassigned fund balance were overstated \$2,786, \$2,786 and \$224,338, respectively, and property tax receipts, general government disbursements and assigned fund balance were understated \$2,234, \$2,234 and \$224,338, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.
- Special revenue funds' assigned fund balance was overstated \$4,156 and property tax receipts, general government expenditures and restricted fund balance were understated \$3,067, \$3,067 and \$4,156, respectively; due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.
- Special revenue funds' property tax receipts and general government disbursements were understated \$960 due to property tax receipts being posted at net instead of gross. This adjustment was reported to management as an unadjusted item.
- Debt service funds' receipts, disbursements and fund balance were overstated and special revenue funds' receipts, disbursements and fund balance were understated \$29,145, \$28,905, and \$14,312, respectively due to being incorrectly classified on the financial statements. These items were adjusted to the financial statements as approved by management.
- Capital project funds' capital outlay and assigned fund balance were overstated \$10,589 and \$4,411, respectively, and principal retirement, interest and fiscal charges and committed fund balance were understated \$10,408, \$181 and \$4,411, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.
- Enterprise funds' contractual services, capital outlay, beginning cash fund balance and earnings on investments - trust funds were overstated \$47,218, \$348,544, \$4,997 and \$17,548, respectively, and principal retirement, interest and fiscal charges, beginning cash fund balance and earnings on investments - proprietary funds were understated \$46,832, \$386, \$348,544 and \$12,551, respectively, due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.

FINDING NUMBER 2018-002 – (Continued)

The following errors were identified in the 2017 financial statements:

- General fund miscellaneous receipts, beginning cash fund balance and unassigned fund balance were overstated \$38,066, \$38,066 and \$11,343, respectively, and assigned fund balance was understated \$11,343 due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.
- General fund property tax receipts and general government disbursements were understated \$1,168 due property tax receipts being posted at net instead of gross. This adjustment was reported to management as an unadjusted item.
- Special revenue funds' property tax receipts, general government disbursements and restricted fund balance were understated \$2,455, \$2,455 and \$8,784, respectively, and assigned fund balance was overstated \$8,874 due to the net effect of various financial statement mispostings. These items were adjusted to the financial statements as approved by management.
- Special revenue funds' property tax receipts and general government disbursements were understated \$778 due to property tax receipts being posted at net instead of gross. This adjustment was reported to management as an unadjusted item.
- Debt service funds' receipts, disbursements and fund balance were overstated and special revenue funds' receipts, disbursements and fund balance were understated \$27,919, \$29,117, and \$14,072, respectively, due to being incorrectly classified on the financial statements. These items were adjusted to the financial statements as approved by management.
- Capital project funds' capital outlay was overstated and principal retirement and interest and fiscal charges were understated \$20,283 and \$895, respectively, due to debt payments being improperly classified as capital outlay. These items were adjusted to the financial statements as approved by management.
- Enterprise funds' capital outlay was overstated and principal retirement and interest and fiscal charges were understated \$93,509 and \$1,946, respectively, due to debt payments being improperly classified as capital outlay. These items were adjusted to the financial statements as approved by management.

The Village should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper accounts. Management should also review the financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Official's Response: The Village of Burton has reviewed and acknowledged the finding and will take corrective action to correct the issues noted in the future.

This page intentionally left blank.

Village of Burton
 14588 West Park Street
 P.O. Box 408
 Burton, Ohio 44021
 Phone: 440-834-4474
 Fax: 440-834-1446
 villageofburton@sbcglobal.net



**VILLAGE OF BURTON
 GEAUGA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness - Financial Reporting: Improperly classified funds and various material reclassifications.	Not Corrected	Repeated as Finding Number 2019-002
2016-002	Material Weakness - Segregation of Duties: Inadequate segregation of duties regarding cash collections and bank activities.	Fully Corrected	While issues still existed during part of the audit, once the new Fiscal Officer began, the issues were fully corrected. Similar comment was only issued as verbal.

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER



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
MARCH 19, 2020**