



**VILLAGE OF BURTON  
GEAUGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF BURTON  
GEAUGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2006.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2005.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings .....	19
Schedule of Prior Audit Findings .....	21

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**Mary Taylor, CPA**  
Auditor of State

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 9, 2007

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# Mary Taylor, CPA

Auditor of State

## 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, 2006 and 2005. 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.

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

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Burton, Geauga County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

August 9, 2007



**VILLAGE OF BURTON  
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$80,507	\$161,754	\$0	\$242,261
Municipal Income Tax	0	400,568	0	400,568
Intergovernmental	64,517	108,267	0	172,784
Special Assessments	0	25,957	13,816	39,773
Charges for Services	25,401	10,690	0	36,091
Fines, Licenses and Permits	1,140	7,177	0	8,317
Miscellaneous	17,208	3,025	0	20,233
	<b>188,773</b>	<b>717,438</b>	<b>13,816</b>	<b>920,027</b>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	0	353,279	0	353,279
Public Health Services	0	9,494	0	9,494
Leisure Time Activities	17,118	3,368	0	20,486
Community Environment	13,291	0	0	13,291
Transportation	0	210,110	0	210,110
General Government	119,360	25,810	0	145,170
Debt Service:				
Redemption of Principal	0	0	18,480	18,480
Capital Outlay	22,433	26,500	93,864	142,797
	<b>172,202</b>	<b>628,561</b>	<b>112,344</b>	<b>913,107</b>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<b>16,571</b>	<b>88,877</b>	<b>(98,528)</b>	<b>6,920</b>
<b>Other Financing Receipts / (Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Transfers-In	0	359,428	114,880	474,308
Transfers-Out	(110,880)	(363,428)	(9,490)	(483,798)
Other Financing Sources	0	6,624	0	6,624
Other Financing Uses	(4,910)	(380)	0	(5,290)
	<b>(115,790)</b>	<b>2,244</b>	<b>105,390</b>	<b>(8,156)</b>
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<b>(99,219)</b>	<b>91,121</b>	<b>6,862</b>	<b>(1,236)</b>
Fund Cash Balances, January 1	<b>473,034</b>	<b>316,019</b>	<b>77,693</b>	<b>866,746</b>
<b>Fund Cash Balances, December 31</b>	<b>\$373,815</b>	<b>\$407,140</b>	<b>\$84,555</b>	<b>\$865,510</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 - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$432,227	\$0	\$19,812	\$452,039
Total Operating Cash Receipts	432,227	0	19,812	452,039
<b>Operating Cash Disbursements:</b>				
Personal Services	131,564	0	0	131,564
Travel Transportation	126	0	0	126
Contractual Services	163,142	0	15,345	178,487
Supplies and Materials	11,906	0	0	11,906
Capital Outlay	76,157	5,500	0	81,657
Total Operating Cash Disbursements	382,895	5,500	15,345	403,740
Operating Income/(Loss)	49,332	(5,500)	4,467	48,299
<b>Non-Operating Cash Receipts:</b>				
Miscellaneous Receipts	44,778	0	0	44,778
Other Non-Operating Cash Receipts	18,825	544	0	19,369
Total Non-Operating Cash Receipts	63,603	544	0	64,147
<b>Non-Operating Cash Disbursements:</b>				
Redemption of Principal	80,000	0	0	80,000
Interest and Other Fiscal Charges	22,290	0	0	22,290
Other Non-Operating Cash Disbursements	5,736	0	1,455	7,191
Total Non-Operating Cash Disbursements	108,026	0	1,455	109,481
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	4,909	(4,956)	3,012	2,965
Transfers-In	129,403	0	0	129,403
Transfers-Out	(119,913)	0	0	(119,913)
Net Receipts Over/(Under) Disbursements	14,399	(4,956)	3,012	12,455
Fund Cash Balances, January 1	1,062,416	24,437	950	1,087,803
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,076,815</u></b>	<b><u>\$19,481</u></b>	<b><u>\$3,962</u></b>	<b><u>\$1,100,258</u></b>
Reserve for Encumbrances, December 31	<u>\$238,606</u>	<u>\$0</u>	<u>\$0</u>	<u>\$238,606</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  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$72,221	\$157,714	\$0	\$229,935
Municipal Income Tax	0	393,540	0	393,540
Intergovernmental	215,526	107,840	0	323,366
Special Assessments	0	26,465	14,608	41,073
Charges for Services	26,891	8,953	0	35,844
Fines, Licenses and Permits	710	7,609	0	8,319
Miscellaneous	62,350	2,629	0	64,979
	<b>377,698</b>	<b>704,750</b>	<b>14,608</b>	<b>1,097,056</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	0	380,136	0	380,136
Public Health Services	0	11,010	0	11,010
Leisure Time Activities	16,213	2,728	0	18,941
Community Environment	15,005	0	0	15,005
Transportation	0	221,935	0	221,935
General Government	134,545	43,061	0	177,606
Debt Service:				
Redemption of Principal	0	0	18,480	18,480
Capital Outlay	1,511	2,290	146,504	150,305
	<b>167,274</b>	<b>661,160</b>	<b>164,984</b>	<b>993,418</b>
Total Cash Disbursements	<b>167,274</b>	<b>661,160</b>	<b>164,984</b>	<b>993,418</b>
Total Receipts Over/(Under) Disbursements	<b>210,424</b>	<b>43,590</b>	<b>(150,376)</b>	<b>103,638</b>
<b>Other Financing Receipts / (Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Fixed Assets	10,105	0	0	10,105
Transfers-In	72,100	347,720	42,300	462,120
Transfers-Out	(82,498)	(419,720)	0	(502,218)
Other Financing Sources	0	7,724	0	7,724
Other Financing Uses	(44,088)	(1,429)	0	(45,517)
	<b>(44,381)</b>	<b>(65,705)</b>	<b>42,300</b>	<b>(67,786)</b>
Total Other Financing Receipts / (Disbursements)	<b>(44,381)</b>	<b>(65,705)</b>	<b>42,300</b>	<b>(67,786)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	166,043	(22,115)	(108,076)	35,852
Fund Cash Balances, January 1	306,991	338,134	185,769	830,894
<b>Fund Cash Balances, December 31</b>	<b>\$473,034</b>	<b>\$316,019</b>	<b>\$77,693</b>	<b>\$866,746</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 - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$463,011	\$0	\$3,500	\$466,511
Total Operating Cash Receipts	463,011	0	3,500	466,511
<b>Operating Cash Disbursements:</b>				
Personal Services	143,399	0	0	143,399
Travel Transportation	199	0	0	199
Contractual Services	137,581	0	2,550	140,131
Supplies and Materials	11,517	0	0	11,517
Capital Outlay	30,747	0	0	30,747
Total Operating Cash Disbursements	323,443	0	2,550	325,993
Operating Income/(Loss)	139,568	0	950	140,518
<b>Non-Operating Cash Receipts:</b>				
Miscellaneous Receipts	41,020	0	0	41,020
Other Non-Operating Cash Receipts	12,659	491	0	13,150
Total Non-Operating Cash Receipts	53,679	491	0	54,170
<b>Non-Operating Cash Disbursements:</b>				
Redemption of Principal	75,000	0	0	75,000
Interest and Other Fiscal Charges	22,747	0	0	22,747
Other Non-Operating Cash Disbursements	4,624	0	0	4,624
Total Non-Operating Cash Disbursements	102,371	0	0	102,371
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	90,876	491	950	92,317
Transfers-In	133,498	0	0	133,498
Transfer-Out	(93,400)	0	0	(93,400)
Net Receipts Over/(Under) Disbursements	130,974	491	950	132,415
Fund Cash Balances, January 1	931,442	23,946	0	955,388
<b>Fund Cash Balances, December 31</b>	<b>\$1,062,416</b>	<b>\$24,437</b>	<b>\$950</b>	<b>\$1,087,803</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, 2006 AND 2005**

**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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs 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. Accounting Basis**

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

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

**C. Cash 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.

The repurchase agreements are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (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**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreements for individuals, private organizations, or other governments which are not available to support the village's own programs. The Village's private purpose trust fund is for the benefit of certain individuals.

Agency funds are purely custodial in nature and are used to hold resources for individuals or organizations. The Village disburses these funds as directed by the individual or organization. The Village's agency funds accounts for building deposits.

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

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

**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. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2006 and 2005 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, 2006 AND 2005  
(Continued)**

**2. Equity in Pooled Cash and Investments (Continued)**

	2006	2005
Demand deposits	\$805,245	\$773,893
Business Super Savings	1,157,007	1,125,600
Total deposits	1,962,252	1,899,493
Repurchase agreement	3,516	55,056
Total investments	3,516	55,056
Total deposits and investments	\$1,965,768	\$1,954,549

**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 Depository Insurance Corporation.

**Investments:** The repurchase agreement is held in book-entry for 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, 2006 and December 31, 2005 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$165,681	\$188,773	\$23,092
Special Revenue	1,027,574	1,083,490	55,916
Capital Projects	154,980	128,696	(26,284)
Enterprise	617,790	625,223	7,433
Trust	26,089	544	(25,545)
Total	\$1,992,114	\$2,026,726	\$34,612

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$310,411	\$287,992	\$22,419
Special Revenue	1,019,437	992,369	27,068
Capital Projects	213,050	121,834	91,216
Enterprise	1,020,662	849,440	171,222
Trust	31,350	5,500	25,850
Total	\$2,594,910	\$2,257,135	\$337,775



**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$289,295	\$459,903	\$170,608
Special Revenue	997,796	1,060,194	62,398
Capital Projects	86,000	56,908	(29,092)
Enterprise	574,650	650,188	75,538
Trust	300	491	191
Total	\$1,948,041	\$2,227,684	\$279,643

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$336,408	\$293,860	\$42,548
Special Revenue	1,099,124	1,082,309	16,815
Capital Projects	213,930	164,984	48,946
Enterprise	828,876	519,214	309,662
Trust	150	0	150
Total	\$2,478,488	\$2,060,367	\$418,121

Contrary to ORC 5705.41(D)(1), forty-three of the sixty expenditures tested for the years ended December 31, 2006 and 2005, 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 Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(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, 2006 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds - Sewer	\$137,000	7.13%
Burton Health Care Bonds	\$165,000	6.15%
Ohio Public Works Issue II Loan	\$82,500	0.00%
Ohio Public Works Issue II Loan	\$15,840	0.00%
Total	\$400,340	

The Mortgage Revenue Bonds – Sewer, related 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 Burton 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 Public Works Issue II Loan, related 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-annually installments of \$8,250 over 10 years.

The Ohio Public Works Issue II Loan, related 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-annually installments of \$990 over 10 years.

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

	Mortgage Revenue Bonds - Sewer	Burton Health Care Bonds	Ohio Public Works Issue II Loan	Ohio Public Works Issue II Loan
Year ending December 31:				
2007	\$17,850	\$35,148	\$16,500	\$1,980
2008	17,300	33,610	16,500	1,980
2009	17,750	32,073	16,500	1,980
2010	18,150	35,535	16,500	1,980
2011	17,500	33,690	16,500	1,980
2012-2016	88,900	31,845	0	5,940
Total	\$177,450	\$201,901	\$82,500	\$15,840

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**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.

**9. Risk Pool Membership**

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 rates for the OML rather than its individual rate. Total savings are 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, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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# Mary Taylor, CPA

Auditor of State

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

Village of 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, (the Village) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated August 9, 2007, 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated August 9, 2007.

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

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



**Mary Taylor, CPA**  
Auditor of State

August 9, 2007

VILLAGE OF BURTON  
GEAUGA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

**Noncompliance and Significant Deficiency**

**Ohio Rev. Code § 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 meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

**1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not utilize purchase orders effectively during the audit period, forty-three (43) out of sixty (60) non-payroll expenditures (71%) for both fiscal years were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions discussed above were used. Failure to properly certify the availability of funds can result in overspending fund 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 Clerk-Treasurer utilize the encumbrance method of accounting and 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.

**VILLAGE OF BURTON  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**FINDING NUMBER 2006-001(Continued)**

We recommend the Village encumber and certify purchases to which section 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.

**Official's Response:**

To correct this problem the Fiscal Officer will contact all department heads and seek to obtain a commitment to ensure timely use of purchase orders prior to any purchases.



**VILLAGE OF BURTON  
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-01	Fiscal Officer Certification	No	Partially Corrected – Repeated as 2006-001
2004-02	Monitoring	Yes	The Village Council has expanded fiscal monitoring procedures. They review revenue and expenditure ledgers, bank reconciliations, and approve payment of monthly bills.





**Mary Taylor, CPA**  
Auditor of State

**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 27, 2007**