



JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

Village of Burbank
Wayne County

Report on Accounting Methods

Local Government Services Division

**Village of Burbank, Wayne County
Report on Accounting Methods
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CERTIFICATION

In compliance with the requirement set forth in Section 118.10 (A) of the Ohio Revised Code, an assessment of the methods, accuracy, legality of the accounts, records, files, and reports of the Village of Burbank was conducted. This report on accounting methods states whether the accounting system currently in place fulfills the needs of the Village and whether there are adequate controls in place to assure confidence in the records. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Donald Hopkins, Sr., Mayor of the Village of Burbank; Joyce Sherwin, President Pro Tempore of Council; Irene Chaffin, Clerk-Treasurer; Joseph T. Deters, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Bob Taft, Governor; and, Thomas W. Johnson, Director of Office of Budget and Management.

JIM PETRO
Auditor of State

December 28, 2000

PURPOSE

As required by Section 118.10 (A), Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the method, accuracy and legality of the accounts, records, files and reports of the municipality. Such report shall state whether Chapter 117 of the Revised Code, the requirements of the office of the Auditor of State have been complied with..."

Accordingly, this report centers upon the following: (1) whether the current accounting system fulfills the needs of the Village, and (2) whether the current accounting system is in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing Village personnel and reviewing pertinent accounting, financial, and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the Village of Burbank. We were not engaged to, nor did we, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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The Village and Form of Government

The Village of Burbank (the Village) is located in northeast Ohio in northern Wayne County. The Village is a home rule municipal corporation regulated by Article XVIII of the Ohio Constitution and by Title 7 of the Ohio Revised Code. Operating as a statutory village, Burbank must comply with all State laws regulating village government. The decision-making process is directed by an elected Village Council and Mayor.

The Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Council elects a President Pro Tempore to preside over Council meetings in the Mayor's absence. The Council has the authority to prescribe by ordinance the manner in which any power of the Village shall be exercised.

The Mayor is the chief executive officer of the Village and serves a term of four years. The Mayor supervises the administration of the Village and is the President of Council. The Mayor has the right to introduce ordinances and resolutions and make recommendations to Council, and has voting rights only in the case of a tie. The Mayor has the power to appoint various Village officials. The Mayor also has certain judicial powers and may hear and determine cases involving violations of Village ordinances and all traffic violations within the Village subject to certain statutory limitations. Currently, all such cases are sent to the Orrville Municipal Court.

The Clerk-Treasurer is elected to a four-year term and serves as the Chief Fiscal Officer of the Village and Clerk for the Council. The Clerk-Treasurer attends all Council meetings and keeps a record of all proceedings, rules, bylaws and legislation. In addition, the Clerk-Treasurer keeps accurate statements of all moneys received and expended by the Village and keeps records of all property owned by the Village and of all taxes and assessments. The Clerk-Treasurer establishes the accounting procedures for the Village.

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Budgetary System

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining how much and what type of financial resources shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted for all funds and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenues and the programs, activities, and major objects of expenditures. The process should encompass current operations and maintenance for the various Village departments, programs offered to its residents, capital acquisition and replacement, and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligation.

Administrative Code Requirements - The budgetary process for the Village is prescribed in Chapter 5705, Revised Code, and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance.

The Tax Budget: The Mayor, under the direction of Council, prepares an annual tax budget of estimated revenues and expenditures for all funds of the Village. Ten days before adoption of the budget, the budget must be filed in the Clerk-Treasurer's office for public inspection. At least one public hearing must be held for discussion of the budget. Councils' adoption of the budget must be made by July 15 and submission of the budget must be made to the Wayne County Budget Commission by July 20 of each year for the period of January 1 to December 31 of the following year.

The Budget Commission examines the budget to ascertain that all levies of the Village are properly authorized. The Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. On or about October 1, Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

Certificate of Estimated Resources: The Budget Commission issues an Official Certificate of Estimated Resources on or about September 1, based upon information provided in the tax budget and other information available to the Budget Commission.

On or about January 1, the Clerk-Treasurer certifies to the Budget Commission the actual year end balances of all Village funds. Upon receipt of the information, the Budget Commission issues an Amended Official Certificate of Estimated Resources which includes the unencumbered fund balance at December 31. Further amendments may be made during the year if the Clerk-Treasurer determines that the revenue to be collected by the Village will be greater than or less than the amount included in the official certificate.

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Report on Accounting Methods

Appropriation Ordinance: On or about January 1, Council reviews revenue estimates and prepares either a temporary or permanent appropriation ordinance. Appropriations may not exceed estimated resources as established in the most recent certificate of estimated resources.

Council may postpone passage of the annual appropriation ordinance and pass temporary appropriations which are effective until April 1. Council must pass an annual appropriation ordinance by April 1. All expenditures and encumbrances made under the temporary ordinance are chargeable to the annual appropriation when it is enacted.

Encumbrances: As part of formal budget control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and/or maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

Administrative Code Requirements All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designating an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be in violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to the provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in section 5705.38 of the Revised Code. The legal level of control is a discretionary decision to be made by the legislative authority, unless otherwise prescribed by statute.

Budgeted Level of Expenditures: Administrative control is maintained at Council's level of appropriation, which is by program/activity or department and major object level, e.g., General Government, Clerk-Treasurer, personal services (A1-7-D-210). Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance. The appropriations made by Council remain fixed unless amended by Council.

Auditor of State Comments

No budget amounts are accounted for on the Village's accounting records.

The tax budgets for calendar years 1997, 1998 and 1999 were not filed on time.

The December 31, 1999 cash fund balances and outstanding encumbrances reported to the Wayne County Budget Commission were not correct. They were not reported until March 30, 2000. At that time, four funds had appropriations exceeding estimated resources.

For the first quarter of 1999, the Village had expenditures without having appropriations in place. The permanent appropriations were not passed until the end of March.

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Report on Accounting Methods

Chart of Fund and Account Codes

Description of Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund and account codes is necessary to classify and summarize receipt and disbursement transactions. Fund codes should allow for the classification and identification of fund types and the individual funds. Receipt and expenditure codes should allow the transactions to be summarized by major revenue sources or expenditure programs. Major object codes for expenditures should be used consistently throughout the various program and activity codes.

Statutory Requirements - The creation of funds is authorized by Section 5705.09, Revised Code. Section 5705.13, Revised Code, allows for the creation of reserve funds for budget stabilization, self-insurance reserves, retrospective workers' compensation reserves, accumulated sick and vacation leave reserves, and a reserve for the acquisition, construction, or improvement of fixed assets. Additional funds may be established under Section 5705.12, Revised Code, with the written approval of the Auditor of State.

Administrative Code Requirements - Section 117-9-01 of the Ohio Administrative Code requires funds to be established by each village based on statutory requirements and accounting needs. Receipts are to be classified by fund and source. Expenditures/disbursements are to be classified by fund, program and/or object code. Suggested receipt sources and expenditure programs and objects are provided within the Rule.

Auditor of State Comments

None.

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Accounting Ledgers

Description of Effective Accounting Ledgers

The accounting ledgers of the Village should allow for ongoing and timely information on estimated and actual revenues, disbursements and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the available treasury balance. The information captured for each transaction should allow the transaction to be trailed throughout the ledgers and back to the document that originated the transaction.

Administrative Code Requirements - The Auditor of State has prescribed, under Chapter 117, Ohio Administrative Code, the nature and content of accounting and reporting records. These include:

Cash Journal - The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the Clerk-Treasurer's office. The cash journal presents receipts deposited to and warrants drawn against the Village treasury and the fund to which the receipts and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in-orders and warrants. The related pay-in-order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month-to-date totals and year-to-date totals are recorded.

Receipt Ledger - The receipt ledger is used to summarize receipts by fund and account. In addition, the estimated revenue and uncollected balance is presented for each source of revenue. Estimated revenues are recorded from the detail used in the preparation of the tax budget and are adjusted for any amendments to the certificate of estimated resources. Receipt transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is maintained. At the end of each month, month-to-date totals and year-to-date totals are to be recorded.

Appropriation Ledger - The appropriation ledger is used to summarize appropriations, disbursements and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the Village, the warrant/check issued for the payment of the obligation, and any necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the Village to keep its disbursements and encumbrances within the amounts appropriated by Council. The unencumbered appropriation balance provides information on the amount available for obligation. At the end of each month, month-to-date totals and year-to-date totals are recorded.

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Auditor of State Comments

The following deficiencies were found with the cash journal:

- a. The account number, pay-in-order number or warrant number, and purchase order number are not recorded for all transactions.
- b. The transactions are posted in pencil.
- c. The column totals for treasury receipts, disbursements, and balances are not reconciled to the fund receipts, disbursements, and balances by fund.
- d. All funds are not recorded in the cash journal.
- e. Month and year-to-date totals for all funds are not calculated.
- f. The cash journal is not kept up to date.

The following deficiencies were found with the receipts ledger:

- a. All ledger pages are not labeled with the fund, major revenue source, account name and number.
- b. Estimated revenue for each account is not posted.
- c. Month and year-to-date totals are not recorded and the estimated amount remaining to be received is not computed.
- d. The receipts ledger is not reconciled to the cash journal.
- e. The receipts ledger is not kept up-to-date.
- f. There are no month and year-to-date totals for all funds.
- g. Not all funds are recorded.

The following deficiencies were found with the appropriation ledger:

- a. All ledger pages are not labeled with the fund, program, activity and object descriptions and the full account code.
- b. Budgetary accounts, at the legal level of control or lower, have not been integrated into the financial accounting system.
- c. Encumbrances are not posted and the unencumbered balance is not computed.
- d. Month and year-to-date totals are not recorded.
- e. The appropriation ledger is not reconciled to the cash journal.
- f. There are no month and year-to-date totals for all funds.
- g. Not all funds are recorded.

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Report on Accounting Methods

Receipt Transactions

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded and deposited at least daily. The receipt or pay-in-order form should be a multi-part form that is pre-numbered and consecutive. The receipt should bear the name of the entity and reflect the date received, the payee, amount, the purpose or nature of the receipt, account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payee. All receipts or pay-in-orders should be recorded in the cash journal and receipt ledger in a timely manner.

Statutory Requirements - Section 9.38, Revised Code, provides, a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Auditor of State Comments

Deposits are not always made timely.

Receipts transactions are recorded without using receipt codes and are not recorded timely.

Pay-ins are not always prepared.

The pay-in orders are missing the fund name and account code.

A copy of the pay-in-order is not attached to the supporting documents nor are the supporting documents filed by payee or numerically by pay-in-order number.

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Report on Accounting Methods

Purchasing Process

Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchasing process should be integrated with the budget. The process should include an authorization of need and selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the fiscal officer's certification of the availability of funds and that the amount has been appropriated and is free from previously encumbered obligations. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Statutory Requirements - Several State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer - Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Additionally, the subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose over a three month period, not extending beyond the end of the fiscal year. A general certification of up to \$5,000 may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies.

Then and Now Certification - It is intended that the clerk's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such a contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances.

Authority to Contract - Village contracts are made by the village council and executed in the name of the village by the mayor and clerk-treasurer, except as otherwise specified by statute.

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Bidding - All village contracts calling for expenditures in excess of \$15,000 shall be in writing and made to the lowest and best bidder. The village council must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

1. Personal services of a specialized nature;
2. Goods and services when only one source is available;
3. Work to be done or for the purchase of supplies and materials in any department of the village if a real and present emergency exists;
4. The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
5. Purchases from other political subdivisions and agencies; and,
6. Goods purchased under the State Cooperative Purchasing Program

Administrative Code Requirements - Section 117-2-02(C)(2) of the Ohio Administrative Code states, “purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the fiscal officer’s certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services is made.”

Auditor of State Comments

Purchases are not authorized by an appropriate Village official or certified by the Clerk-Treasurer as to the availability of funds.

Purchase orders documenting the appropriate official’s authorization and the Clerk-Treasurer’s certification were not used.

The Village does not have a purchasing manual documenting the procedures or required authorizations.

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Cash Disbursements

Description of an Effective Method for Accounts Payable and Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the Village. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and accounts codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. A warrant should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), a properly executed certification by the Clerk-Treasurer and if there is adequate cash in the fund to pay the obligation. All warrants should be signed by the Clerk-Treasurer and recorded in the cash journal and appropriation ledger. Vouchers should be filed numerically or by vendor.

Statutory Requirements - State law places the following requirements on the disbursement of funds:

Warrants - Expenditures may only be made by a proper warrant drawn against an appropriate fund. The warrant must show upon its face the appropriation from which the expenditure is made and the fund which it is drawn upon.

Restrictions - Money is drawn from the village treasury only for appropriations enacted by the village council. Appropriations from each fund may be used only for the purposes of such fund.

No Certification - If no certificate is furnished as required, upon receipt by the Village of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the Village may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

Administrative Code Requirements - Section 117-2-02(C)(3) of the Ohio Administrative Code states "vouchers may be used as a written order authorizing the drawing of a warrant in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information."

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Auditor of State Comments

There is no verification for receipt of the invoiced goods or services and the invoice is not recomputed for accuracy.

The account codes for cash disbursements sometimes include account codes for which no appropriation exists.

The purchase of goods and services is not authorized in advance or documented by the use of a purchase order.

The Clerk-Treasurer's certification is not furnished as required for each expenditure and the Village Council has not authorized, by ordinance, the payment of the expenditure when greater than one thousand dollars.

Council approves which bills will be paid once money is available.

The invoices are not kept together or organized. It is difficult to ascertain what bills are outstanding.

There is no information available to determine if any IRS Form 1099s need to be submitted.

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Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes, should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the Village should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain relevant employee information and any other information required by Federal and/or State laws.

Statutory Requirements - The following State statutes apply:

Section 705.13, Revised Code, requires the legislative authority of a municipal corporation to, by ordinance, fix the salary of its members which shall be paid in equal monthly installments. For each absence from regular meetings of the legislative authority, unless authorized by a two-thirds vote of all members thereof, there shall be deducted a sum equal to two percent of such annual salary. Absence for ten successive regular meetings shall operate to vacate the seat of a member, unless such absence is authorized by the legislative authority.

Section 731.13, Revised Code, requires the legislative authority of a village to fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise provided by law. The legislative authority must, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. All bonds shall be made with sureties subject to the approval of the mayor. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. This section does not prohibit the payment of any increased costs of continuing to provide the identical benefits provided to an officer at the commencement of his term of office.

Auditor of State Comments

They Village currently has only the clerk, mayor and council members on payroll. The payrolls are not paid on a regular basis and no time sheets are attached to the payroll registers. The only payroll deductions that are made are for PERS. No deductions for Federal taxes, State taxes or

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Medicare are computed or withheld. Ordinances addressing the compensation of elected officials and employees could not be located.

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. An ordinance authorizing the issuance of debt should be passed by Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the maturity, the lender, interest rate, and the source of revenue to be used for repayment.

Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing ordinance. Money to be used for debt payment may be receipted in a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

Statutory Requirements - General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. Specific statutes relating to villages are found in Chapter 7. The statutory requirements vary depending on the nature of the debt being issued.

Auditor of State Comments

The Village has outstanding OWDA loans for \$219,282 and \$363,000 for a water and sewer plant project. Both loans have an interest rate of 4.56% and are due in a balloon payment on July 1, 2001.

The Village is in the process of asking Wayne County to take over the sewer plant project. If this occurs, Wayne County will assume the sewer portion of the OWDA loan debt.

The water portion of the OWDA debt will remain a liability of the Village. At this time, no resources have been accumulated to pay the water loan debt, nor have any payment arrangements been made with OWDA.

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Inventory of Fixed Assets

Description of an Effective Inventory of Fixed Assets

Fixed assets of the Village should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model numbers, location, and date of purchase should be maintained by the Clerk-Treasurer. The inventory should be updated periodically for purchases and disposals. Verification of the listed assets should be performed at least annually. The disposal of an asset should be properly authorized and reported to the Clerk-Treasurer.

Method as Described by the Village

The Village does not maintain a record of the property and equipment it owns. No established policies and procedures exist to facilitate the preparation or maintenance of a complete and accurate listing of assets owned by the Village.

Auditor of State Comments

The Village, by not maintaining a fixed asset inventory, cannot determine the following:

- a. An adequate amount of insurance coverage;
- b. That assets are used in the most efficient manner;
- c. Whether idle assets exist that could be sold to generate additional revenue; or,
- d. Loss or theft of an asset.

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Cash Management and Investing

Description of an Effective Method of Cash Management

Cash received by the Village should be deposited in a central bank account. Monies for all funds, should be maintained in the account or temporarily used to purchase investments. Idle cash should be invested in interest bearing accounts, certificates of deposit, STAR Ohio, and/or other investment as authorized by State statutes. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes.

A reconciliation between the bank and cash journal should be completed for all accounts on a monthly basis. The reconciliation should be completed immediately after the books are closed for the month and upon receipt of the bank statement. Reconciling items should be specifically identified and listed.

Methods as Described by the Village

The Clerk-Treasurer deposits receipts into a checking account. The Village has one interest bearing checking account, two regular checking accounts and a certificate of deposit. The general checking account is reconciled by the Clerk-Treasurer at the close of the month and upon receipt of the bank statement. The canceled checks and deposits identified on the bank statement are compared to the cash journal to determine outstanding checks and deposits. Outstanding checks from the previous month are then compared to the bank statement. The reconciliation is documented on the back of the bank statement.

Auditor of State Comments

The bank statements are never reconciled to the cash journal.

The reconciliation process is not completed timely and is complicated by mathematical errors and posting errors in the cash journal, checkbook, and bank reconciliation.

The Clerk-Treasurer's reconciliation on the back of the bank statement does not provide adequate space to properly document the outstanding checks and deposits and any other items necessary to reconcile the bank to the cash journal.

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Financial Reporting

Description of Effective Method of Financial Reporting

The Clerk-Treasurer should periodically provide Council with the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the Village. In addition, information concerning the estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for Council's review. On an annual basis, the Clerk-Treasurer should prepare and publish combined and combining fund type financial statements, a comparison of budgeted versus actual information, a summary of debt activity for the year, and the outstanding principal balance on all debt obligations.

Statutory Requirements - The Village is required by Chapter 117, Revised Code to prepare and publish an annual financial report. The report is prepared on the cash basis of accounting. The report format is printed and distributed on or about the calendar year end by the Auditor of State's Office. The Village is required to submit a copy of its annual financial report to the Auditor of State within 60 days of the end of the year. At the time that the report is filed, a notice should be published in the local newspaper that the report is completed and available at the office of the fiscal officer. The report provides for the classification of funds by generic fund type, and includes combined and combining fund type statements. In addition, the report provides, budgetary data at the fund type level, a summary of debt activity for the year, and the outstanding principal balance on all debt obligations.

Auditor of State Comments

The Village has not submitted an annual financial report for the year ended December 31, 1999. Reports for 1997 and 1998 were not filed on time.

Interim financial reporting is not done by the Clerk-Treasurer.

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Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The Village Councils' minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions. An ordinance, resolution, or bylaw should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of a bylaw, ordinance or resolution, the yeas and nays should be entered into the minutes and the bylaw, ordinance or resolution should be signed by the presiding officer and the Clerk of Council. All Council minutes, ordinances, and resolutions should be maintained as a permanent record of the Village.

Statutory Requirements

Sections 731.20 through 731.24, Revised Code, address the passage, style, number of subjects, authentication and recording, and publication requirements of Council's legislation. In general, no ordinance, resolution, or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Village Clerk and kept open for public inspection for ten days. Each bylaw, resolution, and ordinance is required to be adopted or passed by separate vote of the Council and the yeas and nays shall be entered in the minutes. Ordinances, resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and resolutions must be published in an English-speaking newspaper once a week for two consecutive weeks.

Auditor of State Comments

Council minutes were not always approved.

The Council minutes do not give a clear and complete indication of Council's discussions, reference by title to the ordinances and resolutions, and the vote of Council members on proposed legislation.

The ordinances and resolution are not properly bound and preserved as a permanent record of the Village. Minutes are not available at the Village hall.

Village of Burbank - Wayne County

Report on Accounting Methods

Conclusion

The methods as described by the Village and included in this report are based on our inquiries and discussions with Village personnel and the related procedures documented in the Village Officers' Handbook, State statutes, and Chapter 117 of the Ohio Administrative Code.

It is our opinion that the current accounting system of the Village of Burbank is inadequate to fulfill the financial reporting needs of the Village. In addition, the current accounting system is not in compliance with Section 117 of the Ohio Revised Code and the requirements of the Auditor of State as noted in this report.