



**Auditor of State  
Betty Montgomery**



VILLAGE OF BURBANK  
WAYNE COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Burbank  
Wayne County  
P.O. Box 145  
Burbank, Ohio 44214

To the Village Council:

We have audited the accompanying financial statements of the Village of Burbank, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Notes 1A, 4, 5, 7 and 8 to the financial statements, the Village is in Fiscal Emergency pursuant to Ohio Revised Code Chapter 118 and did not comply with certain provisions of its Financial Recovery Plan. These conditions raise substantial doubt about the Village's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 22, 2003

**VILLAGE OF BURBANK  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$14,143	\$3,931		\$18,074
Intergovernmental Receipts	16,251	27,232		43,483
Earnings on Investments	615	982		1,597
Miscellaneous	16,191	541		16,732
<b>Total Cash Receipts</b>	<u>47,200</u>	<u>32,686</u>		<u>79,886</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	2,894			2,894
Leisure Time Activities		4,952		4,952
Basic Utility Services	1,686			1,686
Transportation		16,670		16,670
General Government	27,625			27,625
Debt Service:				
Interest Payments	5,500			5,500
<b>Total Cash Disbursements</b>	<u>37,705</u>	<u>21,622</u>		<u>59,327</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>9,495</u>	<u>11,064</u>		<u>20,559</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	1,952	322		2,274
Advances-In		4,500		4,500
Transfers-Out	(5,947)			(5,947)
Advances-Out	(4,500)			(4,500)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(8,495)</u>	<u>4,822</u>		<u>(3,673)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>1,000</u>	<u>15,886</u>		<u>16,886</u>
<b>Fund Cash Balances, January 1</b>	<u>(4,793)</u>	<u>56,706</u>	<u>\$3,531</u>	<u>55,444</u>
<b>Fund Cash Balances, December 31</b>	<u><b>(\$3,793)</b></u>	<u><b>\$72,592</b></u>	<u><b>\$3,531</b></u>	<u><b>\$72,330</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$775</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$775</b></u>

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

**VILLAGE OF BURBANK  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Fines, Licenses and Permits		\$370	\$370
Total Operating Cash Receipts		370	370
Operating Cash Disbursements:			
Contractual Services	\$14,461		14,461
Other	1,008		1,008
Total Operating Cash Disbursements	15,469		15,469
Operating Income/(Loss)	(15,469)	370	(15,099)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(15,469)	370	(15,099)
Transfers-In	5,947		5,947
Transfers-Out		(2,274)	(2,274)
Net Receipts Over/(Under) Disbursements	(9,522)	(1,904)	(11,426)
Fund Cash Balances, January 1	14,582	1,904	16,486
Fund Cash Balances, December 31	<u>\$5,060</u>	<u>\$0</u>	<u>\$5,060</u>

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



**VILLAGE OF BURBANK  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$18,137	\$4,843		\$22,980
Intergovernmental Receipts	17,001	18,532		35,533
Fines, Licenses, and Permits	350	4		354
Earnings on Investments	1,016	996		2,012
Miscellaneous	2,267	400	\$1,531	4,198
	<u>38,771</u>	<u>24,775</u>	<u>1,531</u>	<u>65,077</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	19,404			19,404
Leisure Time Activities		4,042		4,042
Basic Utility Services	1,527			1,527
Transportation		6,713		6,713
General Government	29,869			29,869
Debt Service:				
Interest Payments	2,000			2,000
	<u>52,800</u>	<u>10,755</u>		<u>63,555</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(14,029)</u>	<u>14,020</u>	<u>1,531</u>	<u>1,522</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	8,159	1,442		9,601
Advances-In	60,000			60,000
Advances-Out		(60,000)		(60,000)
Other Financing Sources			2,000	2,000
Other Financing Uses		(2,000)		(2,000)
	<u>68,159</u>	<u>(60,558)</u>	<u>2,000</u>	<u>9,601</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	54,130	(46,538)	3,531	11,123
<b>Fund Cash Balances, January 1</b>	<u>(58,923)</u>	<u>103,244</u>	<u>0</u>	<u>44,321</u>
<b>Fund Cash Balances, December 31</b>	<u><b>(\$4,793)</b></u>	<u><b>\$56,706</b></u>	<u><b>\$3,531</b></u>	<u><b>\$55,444</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$265</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$265</b></u>

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

**VILLAGE OF BURBANK  
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Fines, Licenses and Permits	\$0	\$4,492	\$4,492
Total Operating Cash Receipts	<u>0</u>	<u>4,492</u>	<u>4,492</u>
Operating Cash Disbursements:			
Personal Services		\$786	\$786
Contractual Services	\$6,096	4,322	10,418
Supplies and Materials	68		68
Total Operating Cash Disbursements	<u>6,164</u>	<u>5,108</u>	<u>11,272</u>
Operating Income/(Loss)	<u>(6,164)</u>	<u>(616)</u>	<u>(6,780)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(6,164)	(616)	(6,780)
Transfers-Out		(9,601)	(9,601)
Net Receipts Over/(Under) Disbursements	(6,164)	(10,217)	(16,381)
Fund Cash Balances, January 1	<u>20,746</u>	<u>12,121</u>	<u>32,867</u>
Fund Cash Balances, December 31	<u>\$14,582</u>	<u>\$1,904</u>	<u>\$16,486</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$81</u>	<u>\$81</u>

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

**VILLAGE OF BURBANK  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Burbank, Wayne County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services and park operations (leisure time activities).

The Village was placed in a state of fiscal emergency by the Auditor of State in 2000 under Ohio Rev. Code Section 118.03(A)(4)(5)&(6). The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the Village, Council President, three financial consultants from various corporations and/or organizations and two representatives from the State of Ohio. This Commission was required to adopt a financial recovery plan for the Village, and the plan must be updated annually. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**VILLAGE OF BURBANK  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**D. Fund Accounting (Continued)**

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

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets. Contrary to the restrictions and purposes for this fund, the Village paid electrical bills for street lighting.

*State Highway Improvement Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

*Parks Recreation* - This fund receives general and tangible property tax money for maintenance and upkeep of parks.

**3. Capital Projects Funds**

The fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

*Playground Equipment Fund* - This fund receives contributions and donations for purchases of playground equipment.

**4. Enterprise Funds**

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

*Water Fund* - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant construction. This loan will be repaid with charges for services from residents to cover the cost of providing this utility.

*Sewer Fund* - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant construction. This loan will be repaid with charges for services from residents to cover the cost of providing this utility.

**5. Fiduciary Fund (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village's only Fiduciary Fund is the Mayor's Court Fund which receives fine monies from traffic violations.

VILLAGE OF BURBANK  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio Rev. Code Section 5705.41(D).

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$57,390	\$51,930
Certificates of deposit	20,000	20,000
Total deposits	<u>\$77,390</u>	<u>\$71,930</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF BURBANK  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,426	\$49,152	\$726
Special Revenue	35,175	37,508	2,333
Enterprise	5,948	5,947	(1)
Fiduciary	370	370	0
Total	\$89,919	\$92,977	\$3,058

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditure	Variance
General	\$49,861	\$48,927	\$934
Special Revenue	64,035	21,622	42,413
Enterprise	15,469	15,469	0
Fiduciary	2,274	2,274	0
Total	\$131,639	\$88,292	\$43,347

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,480	\$106,930	(\$550)
Special Revenue	18,100	26,217	8,117
Capital Projects	1,500	3,531	2,031
Enterprise	0	0	0
Fiduciary	0	4,492	4,492
Total	\$127,080	\$141,170	\$14,090

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,242	\$53,065	\$2,177
Special Revenue	94,640	72,755	21,885
Capital Projects	0	0	0
Enterprise	10,100	6,164	3,936
Fiduciary	15,059	14,790	269
Total	\$175,041	\$146,774	\$28,267

**VILLAGE OF BURBANK  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. DEFICIT BALANCE**

The Village recognized certain adjustments required to prepare financial statements for the years ended December 31, 2000 and 1999. However, when changing accounting systems the Village did not carry these adjustments forward. The adjustments were not posted to the new accounting system until 2003 while preparing financial statements for the years ended December 31, 2002 and 2001.

As a result, for 2002 and 2001, the financial statements reflect a deficit balance in the General Fund of \$3,793 and \$4,793, respectively. As discussed in the Financial Recovery Plan, required by Ohio Rev. Code Section 118.06, the main objective of the plan is to eliminate all fiscal emergency conditions which were determined by the Auditor of State pursuant to Ohio Rev. Code Section 118.04. Also, advances made to comply with the Financial Recovery Plan Section B (see Notes 5 B and 8) did not include provision for these amounts.

**5. FINANCIAL RECOVERY PLAN**

As reported in Note 1A, the Village was placed in fiscal emergency by the Auditor of State in 2000 under Ohio Rev. Code Section 118.03(A)(4)(5)&(6). A financial recovery plan was adopted by the Village on August 23, 2001 and updated on May 8, 2002.

The following actions to be taken were to eliminate all fiscal emergency conditions:

- A. Settlement of past due accounts payable with the Auditor of State for unpaid audit services (repaid December 9, 2002) and establish a payment plan with Ohio Water Development Authority for water plant planning loan (see Note 7).
- B. Formally record an advance from the Special Revenue Street Construction, Maintenance, and Repair Fund to the General Fund for the amount of resources borrowed as evidenced by the deficit in the General Fund at December 31, 2000. Develop and adopt a repayment schedule to restore to the Street Construction, Maintenance, and Repair Fund monies advanced to eliminate the General Fund deficit.
- C. Balance the budgets, avoid future deficits in any fund and maintain current payments of payroll, fringe benefits, and all accounts.
- D. Develop an effective financial accounting and reporting system, including the participation in the Auditor of State Uniform Accounting Network, adoption of the content and frequency of financial data to be reported to Village Council, and consolidation of all checking accounts into a general checking account.
- E. Approach Wayne County to takeover the wastewater project which the Village entered into through an agreement with Wayne County (see Note 7).
- F. Establish monthly levels of expenditures and encumbrances pursuant to division (B)(2) of Section 118.07 of the Revised Code.
- G. Conform to statutes with respect to tax budgets and appropriation measures.

Contrary to the Financial Recovery Plan, the Village did not follow the advance repayment schedule, did not eliminate the General Fund deficit fund balance (see Note 4), and did not establish monthly levels of expenditures and encumbrances.

**VILLAGE OF BURBANK  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**7. DEBT**

On July 1, 2001, three loans with the Ohio Water Development Authority came due but were unable to be paid due to the Village's financial condition. Total principal and interest on the loans outstanding at July 1, 2001 equaled \$582,282 and \$129,474, respectively.

The breakdown of the debt as of July 1, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #3003	\$219,282	6.04%
Ohio Water Development Authority Loan #3004	206,000	6.04%
Ohio Water Development Authority Loan #3005	157,000	5.86%
Total	\$582,282	

The breakdown of the debt as of December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #3003	\$265,957	6.04%

The \$265,957 includes capitalized interest of \$54,175.

OWDA loan #3003 relates to a water project. In September 2001, the OWDA agreed to accept payments of \$500 a month toward the debt beginning October 1, 2001. Based upon this agreement, as of December 31, 2002, the Village has made timely payments totaling \$7,500, and payments will be applied to the principal, which includes the capitalized interest.



**VILLAGE OF BURBANK  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**7. DEBT (Continued)**

OWDA loans #3004 and #3005 relate to a sewer plant project. In July 2001, the Village entered into a Cooperative Sanitary Sewer System agreement with Wayne County, wherein the Village authorized the County to establish a sewer district and the County agreed to complete the sewer plant project and be responsible for all remaining costs. As part of the agreement, upon completion of the project and at such time as the Village becomes fiscally able to assume the operation, maintenance and repair of, as well as the financing obligations related to the Sewer Improvements, the County may transfer the Sewer Improvements to the Village, and assign to the Village any and all liabilities, debt and other obligations as well as any Capital Improvement Funds and other related assets.

**8. ADVANCE REPAYMENT**

On April 2, 2001, the Village Council approved Ordinance No. 01-5 authorizing an advance from the Street (\$50,000) and State Highway (\$10,000) Special Revenue Funds to the General Fund. The advance of restricted monies from the Street and State Highway Funds to an unrestricted fund (General Fund) is not in accordance with the Ohio Revised Code; however, the Village's approval of these advances, formally recognizes the borrowing of monies from other funds that occurred when the cash deficit arose in the General Fund. The Ordinance requires the advances to be repaid monthly beginning in 2002 with the final payment in 2008. The repayment of the advances (monies borrowed from other funds) is a required part of the Village's Financial Recovery Plan as described in section 118.06 of the Ohio Revised Code and is one of the conditions necessary for the termination of fiscal emergency discussed in Note 5. Contrary to the Financial Recovery Plan, the General Fund repaid \$4,500 of the \$8,580 scheduled in 2002, for a variance of \$4,080.

**9. RETIREMENT SYSTEM**

The employees of the Village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**10. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered, self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

**VILLAGE OF BURBANK  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**11. DISCONTINUED OPERATIONS OF POLICE DEPARTMENT/MAYOR'S COURT**

In August 2000, the Village ceased the operations of its police department and Mayor's Court. The Village reactivated the police department and the Mayor's Court in June 2001 and September 2001, respectively; however, the operations of the police department and Mayor's Court ceased operations again in November 2001. Fines of \$370 were received in 2002 for tickets issued in November 2001.

**12. CONTINGENT LIABILITIES**

Several claims and lawsuits are pending against the Village. It is management's opinion that any ultimate liability will be covered by insurance, and/or will not have a material effect on the financial statements.

**13. TURNOVER OF OFFICIALS**

A new Clerk/Treasurer took office in May 2001, along with several new members elected or appointed to Council. There was one council member position that was still open at the end of December 31, 2002.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Burbank  
Wayne County  
P.O. Box 145  
Burbank, Ohio 44214

To the Village Council:

We have audited the accompanying financial statements of the Village of Burbank, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 22, 2003. Our report described conditions that raised substantial doubt about the Village's ability to continue as a going concern. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 22, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

111 Second St., NW / Fourth Floor / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 22, 2003.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 22, 2003

VILLAGE OF BURBANK  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001

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

NONCOMPLIANCE CITATIONS

FINDING NUMBER 2002-001

**Proper Certification of Expenditures**

**Ohio Rev. Code Section 5705.41(D)** states in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 (which was increased to \$3,000 as of April 7, 2003), the Clerk/Treasurer may authorize it to be paid without affirmation of Village Council upon completion of the "Then and Now" Certificate, provided that the expenditure is otherwise lawful.

During 2002 and 2001, 100% of expenditures tested were not certified by the Clerk/Treasurer prior to the obligation being incurred as evidenced by the Clerk/Treasurer's signature. All certifications should be signed by the Clerk/Treasurer as evidence the availability of funds prior to incurring the obligation for expenditure.

FINDING NUMBER 2002-002

**Expenditures from Proper Fund**

**Ohio Revised Code Section 5705.10**, states in part, that money paid into any fund shall be used only for the purposes for which such fund is established. The Special Revenue Street Construction, Maintenance and Repair Fund, is used to construct, maintain, and repair Village streets.

During 2002 and 2001, disbursements of approximately \$3,000 for each year were made from the Village's Special Revenue Street Construction, Maintenance and Repair Fund for electricity payments for street lights, which is contrary to the restrictions and purposes for which the Street Construction, Maintenance and Repair Fund was created. The electrical bills for street lighting should be paid from the General Fund. The Clerk/Treasurer should review the *Village Officers' Handbook*, published by the Auditor of State, and local legislation, and consult Village legal counsel to help ensure expenditures are paid from the proper fund.

**NONCOMPLIANCE CITATIONS  
(Continued)**

**FINDING NUMBER 2002-003**

**Repayment of Advance Funds**

**Village Ordinance 01-5** approved advances totaling \$60,000 to the General Fund from the Special Revenue Street Construction Maintenance and Repair Fund (\$50,000) and the Special Revenue State Highway Fund (\$10,000). In addition, the **Village Financial Recovery Plan Sections A & B**, adopted by the Village Council and Financial Planning and Supervision Commission, established a repayment schedule to repay the respective Special Revenue Funds over a seven year period starting in 2002 and ending in 2008 with payments of \$715 per month, totaling \$8,580 per year.

For 2002, the Village did not make the necessary monthly payments as scheduled. The General Fund repaid the Street Construction Maintenance and Repair and State Highway Funds \$3,750 and \$750, respectfully, for a total of \$4,500 in December of 2002 for a variance of \$4,080. The Village should follow the repayment plan as established and adopted by the Village Council and the Financial Planning and Supervision Commission.

**FINDING NUMBER 2002-004**

**General Fund Deficit**

The **Village Financial Recovery Plan Sections A, B, & C**, (adopted April 23, 2001), state in part, the Village is to eliminate all fiscal emergency conditions, which were determined by the Auditor of State, pursuant to Ohio Rev. Code Section 118.04, which includes the elimination of any General Fund deficit fund balance.

During April of 2001, Village Council approved advances from the Street (\$50,000) and State Highway (\$10,000) Special Revenue Funds to the General Fund to formally recognize borrowing of monies as evidenced by a General Fund cash deficit.

However, subsequent to April 2001, the Village recognized certain adjustments required to prepare its financial statements for the years ended December 31, 2000 and 1999. The effect of these adjustments was to reduce the General Fund cash balance, upon which the April 2001 advances were based, by \$7,625. The Village failed to carry these adjustments forward when converting to a new accounting system in 2001, nor did the Village take action under the Financial Recovery Plan to eliminate the General Fund deficit created by these adjustments.

While preparing financial statements for the years ended December 31, 2002 and 2001, the Village updated its accounting system for these adjustments, which resulted in General Fund deficits of \$3,793 and \$4,793, respectively.

Additionally, it was noted the Village has a \$6,540 advance payable outstanding from 1995. The advance was made from the Special Revenue Street Construction, Maintenance, and Repair Fund to the General Fund. This advance was not considered when developing the Financial Recovery Plan, or establishing repayment terms for the April 2001 advances.

We recommend the Village and the Financial Planning and Supervision Committee discuss these matters and, if necessary, modify the Financial Recovery Plan. Action should be taken regarding the outstanding advance and to eliminate the December 31, 2002 deficit.

**FINDING NUMBER 2002-005**

**Monthly Levels of Expenditures and Encumbrances**

**Village Financial Recovery Plan Section F**, states in part, the Village will establish monthly levels of expenditures and encumbrances.

The Village performed a comparison of budget versus actual expenditures and encumbrances at year end, though no such comparison was performed monthly. However, there was no evidence the Village allocated the annual budget among specific months or otherwise establish monthly levels of expenditures and encumbrances as provided for by Section F.

At the beginning of each year, the Village should establish monthly levels of expenditures and encumbrances and a system to reasonably ensure such limits are not exceeded. The monitoring of the comparison should be evidenced to ensure compliance with the provisions of Section F.

**VILLAGE OF BURBANK  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
<b>2000-30952-001</b>	<b>Ohio Rev. Code Section 117.28</b> Mayor's Court Clerk Salary	Yes	Finding no longer valid. The Village received repayment of the finding for recovery.
<b>2000-30952-002</b>	<b>Ohio Rev. Code Section 135.14</b> Failure to certify to the Auditor of State compliance with the above code section	No	Not Corrected – See Management Letter.
<b>2000-30952-003</b>	<b>Ohio Rev. Code Section 149.351</b> Destruction of records	No	Not Corrected – See Management Letter
<b>2000-30952-004</b>	<b>Ohio Rev. Code Section 733.40</b> Failure to submit the required statement to the Village Council	Yes	Finding no longer valid. The Village Council received the required statement until they discontinued operations of the Mayor's Court.
<b>2000-30952-005</b>	<b>Ohio Rev. Code Section 5705.10</b> Negative fund balances within the General Fund	No	Partially Corrected. However, see related finding within Schedule of Findings, Finding Number 2002-004.
<b>2000-30952-006</b>	<b>Ohio Rev. Code Section 5705.34</b> Failure to certify tax levies to the tax commissioner.	Yes	Finding no longer valid. The Village certified the levies to the tax commissioner.
<b>2000-30952-007</b>	<b>Ohio Rev. Code Section 5705.38</b> Failure to certify the temporary appropriations prior to expenditures.	Yes	Finding no longer valid. The Village certified the necessary appropriations prior to expenditures.
<b>2000-30952-008</b>	<b>Ohio Rev. Code Section 5705.41 (D) –</b> Failure to certify funds	No	Not Corrected – See Schedule of Findings, Finding Number 2002-001.



Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
<b>2000-30952-009</b>	<b>Ohio Rev. Code Sections 5705.40 and 5705.41 (B)</b> – Expenditures exceeded appropriations	No	Partially Corrected – See Management Letter.
<b>2000-30952-010</b>	<b>Article XII, Section 5a, Ohio Constitution and Ohio Attorney General Opinion 1982 No. 82-031</b> Allocation of interest to proper funds	Yes	Finding no longer valid. The Village allocates the interest to the proper funds on a monthly basis.
<b>2000-30952-0011</b>	<b>Ohio Admin. Code Sections 117-5-01 to 117-5-18</b> Failure to follow the Ohio Admin. Code Sections relating to the receipts and expenditure procedures	Yes	Finding no longer valid. The Village implemented the Uniform Accounting Services Network which included all necessary journals and ledgers.
<b>2000-30952-012</b>	<b>Ohio Rev. Code Section 1905.21</b> Failure to maintain a cashbook for Mayor's Court	Yes	Finding no longer valid. The Village implemented the Uniform Accounting Services Network which included the Mayor's Court cashbook.
<b>2000-30952-013</b>	<b>Mayor's Court Records</b> Failure to maintain open case files and ticket log	Yes	Finding no longer valid. The Village maintained the necessary items prior to the discontinuation of these operations.
<b>2000-30952-014</b>	<b>Monthly Financial Reports</b> Failure to submit monthly financial reports to Village Council	Yes	Finding no longer valid. The Village's Fiscal Emergency Planning Commission's minutes reflects the review of these reports.
<b>2000-30952-015</b>	<b>Bank Reconciliations</b> Failure to reconcile bank to book balances	Yes	Finding no longer valid. The Village prepares monthly bank to book reconciliations.
<b>2000-30952-016</b>	<b>Payroll Expenditures</b> Weak payroll procedures and internal controls	Yes	Finding no longer valid. The Village established procedures and internal controls.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF BURBANK**

**WAYNE 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  
NOVEMBER 6, 2003**