



**VILLAGE OF BURBANK
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**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 governmental activities, each major fund, and the aggregate remaining fund information of the Village of Burbank, Wayne County, Ohio, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. The Auditor of State served during the year ended December 31, 2004 as the Village's financial supervisor under Ohio Revised Code §118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit of the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Revised Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Burbank, Wayne County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Special Revenue Street Construction, Maintenance and Repair; Special Revenue State Highway; Special Revenue Permissive Motor Vehicle License Tax and Special Revenue Parks and Recreation Funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

October 15, 2005

Village of Burbank, Wayne County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This discussion and analysis of the Village of Burbank's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$18,088, or 17.7 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Street Construction, Maintenance and Repair special revenue fund, which received \$17,390 more in receipts than disbursements.

The Village's general receipts are primarily property taxes and local government revenue. These receipts represent respectively 40.0 and 28.8 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Burbank, Wayne County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we express the Village's activities as the following:

Governmental activities – The Village's services are reported here, including streets and parks. Motor vehicle gas and license tax, property taxes and local government finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are all reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs.

Village of Burbank, Wayne County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Street Construction, Maintenance and Repair, State Highway, Permissive Motor Vehicle License Tax and Parks and Recreation special revenue funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$120,167	\$102,079
Net Assets		
Restricted for:		
Capital Outlay	3,531	3,531
Other Purposes	101,524	82,962
Unrestricted	15,112	15,586
Total Net Assets	\$120,167	\$102,079

As mentioned previously, net assets of governmental activities increased \$18,088 or 17.7 percent during 2004. The Street Construction, Maintenance and Repair and State Highway special revenues funds had receipts that were higher than the disbursements by \$17,390 and \$2,133, respectively.

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Village of Burbank, Wayne County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2004
	2004
Receipts:	
Program Receipts:	
Operating Grants and Contributions	\$18,465
General Receipts:	
Property and Other Local Taxes	27,370
Grants and Entitlements Not Restricted to Specific Programs	19,503
Interest	1,595
Miscellaneous	753
Total General Receipts	49,221
Total Receipts	67,686
Disbursements:	
General Government	28,500
Security of Persons and Property:	15
Leisure Time Activities	5,749
Transportation	9,334
Principal Retirement	6,000
Total Disbursements	49,598
Increase in Net Assets	18,088
Net Assets, January 1, 2004	102,079
Net Assets, December 31, 2004	\$120,167

Program receipts represent only 27.3 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 72.7 percent of the Village's total receipts, and of this amount, over 55.6 percent are property taxes. State and federal grants and entitlements make up the balance of the Village's general receipts (39.6 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council and the fiscal officer, utilities, audit costs and the Village solicitor. The General Government disbursements make up 57.5 percent of total disbursements.

Leisure Time Activities are the costs of maintaining the parks and Transportation is the cost of maintaining the roads. The Debt service principal is the \$500 monthly payments made to the Ohio Water Development Authority.

Village of Burbank, Wayne County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 9, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government which accounts for 57.5 percent of all governmental disbursements. Leisure time activities, transportation and debt service also represent significant costs; 11.6 percent, 18.8 percent and 12.1 percent, respectively. The next column of the Statement entitled Program Receipts identify grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
	2004	2004
General Government	\$28,500	(\$28,500)
Security of Persons and Property	15	(15)
Leisure Time Activities	5,749	(5,749)
Transportation	9,334	9,131
Principal Retirement	6,000	(6,000)
Total Expenses	\$49,598	(\$31,133)

The dependence upon property tax receipts is apparent as over 40 percent of governmental activities are supported through these general receipts.

The Village's Funds

Total governmental funds had receipts of \$67,686 and disbursements of \$49,598. The greatest change within governmental funds occurred within the Street Construction, Maintenance and Repair special revenue fund. The fund balance of the Street Construction, Maintenance and Repair Fund increased \$17,390 as the result of gas tax and motor vehicle license tax receipts exceeding the disbursements in the fund.

Village of Burbank, Wayne County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Village amended its General Fund budget several times to reflect changing circumstances. Final and original budgeted receipts were the same.

Final disbursements were budgeted at \$47,485 while actual disbursements were \$43,095. Original appropriations of \$40,540 were increased due to increased insurance costs. The Village kept spending to a minimum. The result is the decrease in fund balance of \$474 for 2004.

Capital Assets and Debt Administration

Capital Assets

The Village maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

Debt

At December 31, 2004, the Village's outstanding debt included \$253,957 in Ohio Water Develop Authority loans for water planning and design. For further information regarding the Village's debt, refer to Note 8 to the basic financial statements.

Current Issues

The challenge for the Village is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts positive balances for the next five years. We have met with the Wayne County Commissioners in order to try to find a solution to our outstanding OWDA debt.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Martha Evans, Fiscal Officer, Village of Burbank, 100 West Middle St., Burbank, Ohio 44214.

Village of Burbank, Wayne County
Statement of Net Assets - Modified Cash Basis
December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$120,167</u>
Net Assets	
Restricted for:	
Capital Projects	\$3,531
Other Purposes	101,524
Unrestricted	<u>15,112</u>
<i>Total Net Assets</i>	<u>\$120,167</u>

See accompanying notes to the basic financial statements

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Village of Burbank, Wayne County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	\$28,500	\$0	(\$28,500)
Security of Persons and Property	15	0	(15)
Leisure Time Activities	5,749	0	(5,749)
Transportation	9,334	18,465	9,131
Debt Service	6,000	0	(6,000)
	<u>\$49,598</u>	<u>\$18,465</u>	<u>(31,133)</u>
		General Receipts	
		Property Taxes Levied for:	
		General Purposes	23,145
		Parks	4,225
		Grants and Entitlements not Restricted to Specific Programs	19,503
		Interest	1,595
		Miscellaneous	753
		<i>Total General Receipts</i>	49,221
		Change in Net Assets	18,088
		<i>Net Assets Beginning of Year</i>	102,079
		<i>Net Assets End of Year</i>	<u>\$120,167</u>

See accompanying notes to the basic financial statements

Village of Burbank, Wayne County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>State Highway</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$15,112</u>	<u>\$61,314</u>	<u>\$14,965</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$407	\$0	\$0
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	14,705	0	0
Special Revenue Funds	0	61,314	14,965
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Fund Balances</i>	<u>\$15,112</u>	<u>\$61,314</u>	<u>\$14,965</u>

See accompanying notes to the basic financial statements

Permissive Motor Vehicle License Tax	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
<u>\$12,237</u>	<u>\$8,273</u>	<u>\$8,266</u>	<u>\$120,167</u>
\$0	\$0	\$0	\$407
0	0	0	14,705
12,237	8,273	4,735	101,524
0	0	3,531	3,531
<u>\$12,237</u>	<u>\$8,273</u>	<u>\$8,266</u>	<u>\$120,167</u>

Village of Burbank, Wayne County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street Construction, Maintenance and Repair	State Highway
Receipts			
Property and Other Local Taxes	\$23,145	\$0	\$0
Intergovernmental	18,892	16,464	948
Interest	464	801	165
Miscellaneous	120	0	0
<i>Total Receipts</i>	<u>42,621</u>	<u>17,265</u>	<u>1,113</u>
Disbursements			
Current:			
General Government	28,500	0	0
Security of Persons and Property	15	0	0
Leisure Time Activities	0	0	0
Transportation	0	7,028	407
Debt Service:			
Principal Retirement	6,000	0	0
<i>Total Disbursements</i>	<u>34,515</u>	<u>7,028</u>	<u>407</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,106</u>	<u>10,237</u>	<u>706</u>
Other Financing Sources (Uses)			
Advance In	0	7,140	1,440
Advance Out	(8,580)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(8,580)</u>	<u>7,140</u>	<u>1,440</u>
<i>Net Change in Fund Balances</i>	(474)	17,377	2,146
<i>Fund Balances Beginning of Year</i>	<u>15,586</u>	<u>43,937</u>	<u>12,819</u>
<i>Fund Balances End of Year</i>	<u><u>\$15,112</u></u>	<u><u>\$61,314</u></u>	<u><u>\$14,965</u></u>

See accompanying notes to the basic financial statements

Permissive Motor Vehicle License Tax	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
\$0	\$4,225	\$0	\$27,370
1,053	611	0	37,968
165	0	0	1,595
0	633	0	753
1,218	5,469	0	67,686
0	0	0	28,500
0	0	0	15
0	5,749	0	5,749
1,899	0	0	9,334
0	0	0	6,000
1,899	5,749	0	49,598
(681)	(280)	0	18,088
0	0	0	8,580
0	0	0	(8,580)
0	0	0	0
(681)	(280)	0	18,088
12,918	8,553	8,266	102,079
\$12,237	\$8,273	\$8,266	\$120,167

Village of Burbank, Wayne County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$23,500	\$23,500	\$23,145	(\$355)
Intergovernmental	16,659	16,659	18,892	2,233
Interest	400	400	464	64
Miscellaneous	100	100	120	20
<i>Total Receipts</i>	<u>40,659</u>	<u>40,659</u>	<u>42,621</u>	<u>1,962</u>
Disbursements				
Current:				
General Government	25,960	32,905	28,500	4,405
Security of Persons and Property	0	0	15	(15)
Debt Service:				
Principal Retirement	6,000	6,000	6,000	0
<i>Total Disbursements</i>	<u>31,960</u>	<u>38,905</u>	<u>34,515</u>	<u>4,390</u>
<i>Excess of Receipts Over Disbursements</i>	8,699	1,754	8,106	6,352
Other Financing Uses				
Advances Out	(8,580)	(8,580)	(8,580)	0
<i>Net Change in Fund Balance</i>	119	(6,826)	(474)	6,352
<i>Fund Balance Beginning of Year</i>	<u>15,586</u>	<u>15,586</u>	<u>15,586</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$15,705</u>	<u>\$8,760</u>	<u>\$15,112</u>	<u>\$6,352</u>

See accompanying notes to the basic financial statements

Village of Burbank, Wayne County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Street Construction, Maintenance and Repair Fund
 For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$14,200	\$14,200	\$16,464	\$2,264
Interest	800	800	801	1
<i>Total Receipts</i>	15,000	15,000	17,265	2,265
Disbursements				
Current:				
Transportation	25,000	27,305	7,028	20,277
<i>Excess of Receipts Over Disbursements</i>	(10,000)	(12,305)	10,237	22,542
Other Financing Sources				
Advances In	7,140	7,140	7,140	0
<i>Net Change in Fund Balance</i>	(2,860)	(5,165)	17,377	22,542
<i>Fund Balance Beginning of Year</i>	43,937	43,937	43,937	0
<i>Fund Balance End of Year</i>	<u>\$41,077</u>	<u>\$38,772</u>	<u>\$61,314</u>	<u>\$22,542</u>

See accompanying notes to the basic financial statements

Village of Burbank, Wayne County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
State Highway Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$3,330	\$3,330	\$948	(\$2,382)
Interest	170	170	165	(5)
<i>Total Receipts</i>	3,500	3,500	1,113	(2,387)
Disbursements				
Current:				
Transportation	5,000	5,407	407	5,000
<i>Excess of Receipts Over Disbursements</i>	(1,500)	(1,907)	706	2,613
Other Financing Sources				
Advances In	1,440	1,440	1,440	0
<i>Net Change in Fund Balance</i>	(60)	(467)	2,146	2,613
<i>Fund Balance Beginning of Year</i>	12,819	12,819	12,819	0
<i>Fund Balance End of Year</i>	<u>\$12,759</u>	<u>\$12,352</u>	<u>\$14,965</u>	<u>\$2,613</u>

See accompanying notes to the basic financial statements

Village of Burbank, Wayne County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Permissive Motor Vehicle License Tax Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$750	\$750	\$1,053	\$303
Interest	100	100	165	65
<i>Total Receipts</i>	850	850	1,218	368
Disbursements				
Current:				
Transportation	12,000	12,000	1,899	10,101
<i>Net Change in Fund Balance</i>	(11,150)	(11,150)	(681)	10,469
<i>Fund Balance Beginning of Year</i>	12,918	12,918	12,918	0
<i>Fund Balance End of Year</i>	<u>\$1,768</u>	<u>\$1,768</u>	<u>\$12,237</u>	<u>\$10,469</u>

See accompanying notes to the basic financial statements

Village of Burbank, Wayne County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Parks and Recreation Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$4,200	\$4,200	\$4,225	\$25
Intergovernmental	700	700	611	(89)
Miscellaneous	0	0	633	633
<i>Total Receipts</i>	4,900	4,900	5,469	569
Disbursements				
Current:				
Leisure Time Activities	6,770	11,319	5,749	5,570
<i>Net Change in Fund Balance</i>	(1,870)	(6,419)	(280)	6,139
<i>Fund Balance Beginning of Year</i>	8,553	8,553	8,553	0
<i>Fund Balance End of Year</i>	<u>\$6,683</u>	<u>\$2,134</u>	<u>\$8,273</u>	<u>\$6,139</u>

See accompanying notes to the basic financial statements

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Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 1 - Reporting Entity

Burbank Village is a home rule corporation formed under the laws of the State of Ohio. The decision making process is directed by an elected Village Council and Mayor.

The Mayor, elected by the voters for a four-year term, is head of the government for ceremonial, administrative, and executive purposes, performs the judicial functions of the Village and presides at Council meetings. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also appoints all department heads and executes all contracts, conveyances, and evidences of indebtedness of the Village.

On September 28, 2000, the Auditor of State's Office declared the Village of Burbank to be in the state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. 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. The Commission approved a financial recovery plan which was adopted by 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.

Legislative authority is vested in a six member council elected at large and serves a term of four years. Council enacts ordinances and resolutions relating to tax levies, appropriated and borrows money, and accepts bids for materials and services and other village purposes.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. For Burbank Village this includes the departments and agencies that provide the following services: parks and recreation and street maintenance and repairs.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board; and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organizations. Component units may also include organizations for which the Village authorizes the issuance of debt or the levying of taxes, or determines the budget. The Village has no component units.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

A. Basis of Presentation

The Village's basic financial statements consist of government-wide statement net assets and a statement of activities and fund financial statements providing a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the Village's governmental activities of the Village. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the Village's general receipts.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The following are the Village's major governmental funds:

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street, Construction, Maintenance and Repair Fund - Required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the Village.

State Highway Fund - Required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designated for maintenance of State highways within the Village.

Permissive Motor Vehicle License Tax Fund - Required by the Ohio Revised Code to account for permissive license tax fees designated for maintenance of State highways within the Village.

Parks and Recreation Fund - This fund accounts for property taxes received for the maintenance and upkeep of parks.

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The Village has no proprietary funds.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. The Village has no fiduciary funds.

C. Basis of Accounting

For 2004, the City has implemented the GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" format. The implementation of GASB Statement No. 34 requires additional note disclosure.

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "equity in pooled cash and cash equivalents". The Village has no investments.

Interest revenue credited to the general fund during 2004 amounted to \$464 which includes \$252 assigned from other Village funds.

E. Inventory

On the cash-basis of accounting, inventories of supplies are reported as disbursements when purchased.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

G. Long-Term Obligations

The cash-basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

H. Fund Balance Reserves

The Village reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

I. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws, or regulations of other governments have imposed limitations on their use.

The Village first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

J. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate. The appropriations ordinance is the Village Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established by the Village Council at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the Village Council.

The certificate of estimated resources may be amended during the year if Village Fiscal Officer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts on the certificate of estimated resources when the Village Council adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The Village Council may amend appropriations throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Village Council passed during the year.

Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). The Village did not encumber all commitments required by Ohio Revised Code Section 5705.41(D).

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 3 - Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The Village may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest, or coupons; and,
3. Obligations of the Village.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, requires disclosures to help assess actual and potential future deposit and investment market and credit risks." The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement No. 3.

Deposits At year-end, the carrying amount of the Village's deposits was \$120,167 and the bank balance was \$120,858. Of the bank balance:

1. \$120,000 was covered by federal depository insurance.
2. \$858 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the Village's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Note 4 – Property Taxes Receivable

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Property tax revenue received during 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes which

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

The full tax rate for all Village operations for the year ended December 31, 2004, was \$15.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$2,132,380
Tangible Personal Property	222,907
Public Utility Property	48,990
Total	<u><u>\$2,404,277</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Burbank Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 5 - Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, the Village contracted with the Public Entities Pool of Ohio, (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. Property insurance was for \$117,811 with a \$1,000 deductible. General liability has a \$2,000,000 limit and electronic data processing had a \$2,200 limit and a \$1,000 deductible. Automobile liability has a \$2,000,000 combined single limit of liability.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

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

Note 6 - 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, updated on May 8, 2002, and updated again on September 16, 2003.

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 5).

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

- 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 5).
- 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.

Note 7 - Contingent Liabilities

A. Litigation

The Village management is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

B. Federal and State Grants

The Village receives financial assistance from federal and state agencies in the forms of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Village at December 31, 2004.

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 8 - Long-Term Debt

The original issue date, maturity date, interest rate and original issuance amount for the Village's loan follows:

Debt Issue	Issue Date	Interest Rate	Original Issue Amount
<i>Ohio Water Development Authority Loan</i>			
Water Planning and Design	1996	6.04%	\$273,457

The changes in long-term obligations during the year were as follows:

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04	Amounts Due in One Year
Water Planning and Design	\$259,957	\$0	\$6,000	\$253,957	\$6,000

On July 1, 2001, the loan with the Ohio Water Development Authority (OWDA) came due but was unable to be paid due to the Village's financial condition. In September 2001, OWDA agreed to accept payments of \$500 a month toward the debt beginning October 1, 2001. Based upon this agreement, as of December 31, 2004, the Village has made timely payments totaling \$19,500, and payments will be applied to the principal, which includes the capitalized interest. These payments are made from the general fund.

The Village's overall legal debt margin was (\$1,508) with an unvoted legal debt margin of (\$121,722) at December 31, 2004.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village of Burbank participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2004, was \$488; 100 percent has been contributed for 2004. There were no contributions to the member directed plan for 2004.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$204. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Village of Burbank, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 11 – Schedule of Advances

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. On October 6, 2003, the Village Council approved Ordinance No. 03-15 amending the previous ordinance to include additional borrowing and to extend the repayment period to 2011. 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 6. The General Fund repaid the \$8,580 scheduled in 2004.

Future advance payments are as follows:

Year	Amount
2005	\$8,580
2006	8,580
2007	8,580
2008	8,580
2009	8,302
2010	7,140
2011	<u>2,723</u>
Total	<u><u>\$52,485</u></u>

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Burbank, Wayne County, Ohio, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 15, 2005. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. The Auditor of State served during the year ended December 31, 2004 as the Village's financial supervisor under Ohio Rev. Code §118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit of the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

In a separate letter to the Village's management dated October 15, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001.

In a separate letter to the Village's management dated October 15, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

October 15, 2005

VILLAGE OF BURBANK
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires, in part, that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the 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. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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.

FINDING NUMBER 2004-001 (Continued)

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 applicable requirement for approval of expenditures by the taxing authority.

During 2004, 14 out of 31, or 45% of expenditures tested were not certified by the Clerk/Treasurer prior to the obligation being incurred as evidenced by the Clerk/Treasurer’s signature. It was noted that none of these exceptions noted above were utilized. All certifications should be signed by the Clerk/Treasurer as evidence of availability of funds prior to incurring the obligation for expenditure.

**VILLAGE OF BURBANK
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Rev. Code Section 5705.10 Disbursements made from improper fund	Yes	Finding No Longer Valid – Disbursements were made out of the proper funds.
2003-002	Village Financial Recovery Plan Section Village will establish monthly level of expenditures and encumbrances.	Yes	Finding No Longer Valid – Village established monthly level of expenditures.



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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
DECEMBER 13, 2005**