



**Auditor of State
Betty Montgomery**

**BURTON TOWNSHIP
GEAUGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Burton Township
Geauga County
14821 Rapids Road
P.O. Box 355
Burton, OH 44021

To the Board of Trustees:

We have audited the accompanying financial statements of Burton Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township'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 audits 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.

The Township's financial transactions were processed using 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 conduct the audit of the Township 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 the 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.

We believe that our audit provide a reasonable basis for our opinion.

As discussed in Note 1, the Township 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 Burton Township, Geauga County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2004, on our consideration of the Township'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 audits.

This report is intended solely for the information and use of management, the Board of Trustees 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

March 5, 2004

**BURTON TOWNSHIP
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$123,463	\$226,196	\$0	\$349,659
Intergovernmental	208,542	92,987	\$1,357,763	1,659,292
Licenses, Permits, and Fees	0	11,211	0	11,211
Earnings on Investments	1,327	89	0	1,416
Other Revenue	530	600	0	1,130
	<u>333,862</u>	<u>331,083</u>	<u>1,357,763</u>	<u>2,022,708</u>
Cash Disbursements:				
Current:				
General Government	187,819	127,547	0	315,366
Public Safety	3,587	1,924	0	5,511
Public Works	48,900	192,303	0	241,203
Health	9,702	5,171	0	14,873
Conservation - Recreation	3,522	0	0	3,522
Capital Outlay	100,700	4,645	1,357,763	1,463,108
	<u>354,230</u>	<u>331,590</u>	<u>1,357,763</u>	<u>2,043,583</u>
Total Receipts Over/(Under) Disbursements	<u>(20,368)</u>	<u>(507)</u>	<u>0</u>	<u>(20,875)</u>
Other Financing Receipts and (Disbursements):				
Other Sources	10,801	0	0	10,801
	<u>10,801</u>	<u>0</u>	<u>0</u>	<u>10,801</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,567)	(507)	0	(10,074)
Fund Cash Balances, January 1	169,178	136,196	0	305,374
Fund Cash Balances, December 31	<u>\$159,611</u>	<u>\$135,689</u>	<u>\$0</u>	<u>\$295,300</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$24,831</u>	<u>\$24,831</u>

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

**BURTON TOWNSHIP
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
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>	
Cash Receipts:				
Local Taxes	\$119,155	\$204,014	\$0	\$323,169
Intergovernmental	120,463	82,910	269,382	472,755
Licenses, Permits, and Fees	0	10,574	0	10,574
Earnings on Investments	3,262	540	0	3,802
Other Revenue	6,626	600	0	7,226
	<u>249,506</u>	<u>298,638</u>	<u>269,382</u>	<u>817,526</u>
Total Cash Receipts				
	<u>249,506</u>	<u>298,638</u>	<u>269,382</u>	<u>817,526</u>
Cash Disbursements:				
Current:				
General Government	193,612	107,369	0	300,981
Public Safety	2,310	1,759	0	4,069
Public Works	47,763	188,841	0	236,604
Health	10,855	4,451	0	15,306
Conservation - Recreation	2,155	0	0	2,155
Capital Outlay	1,912	800	269,382	272,094
	<u>258,607</u>	<u>303,220</u>	<u>269,382</u>	<u>831,209</u>
Total Cash Disbursements				
	<u>258,607</u>	<u>303,220</u>	<u>269,382</u>	<u>831,209</u>
Total Receipts Over/(Under) Disbursements	(9,101)	(4,582)	0	(13,683)
Other Financing Receipts and (Disbursements):				
Other Sources	284	0	0	284
	<u>284</u>	<u>0</u>	<u>0</u>	<u>284</u>
Total Other Financing Receipts/(Disbursements)				
	<u>284</u>	<u>0</u>	<u>0</u>	<u>284</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,817)	(4,582)	0	(13,399)
Fund Cash Balances, January 1	177,995	140,778	0	318,773
	<u>177,995</u>	<u>140,778</u>	<u>0</u>	<u>318,773</u>
Fund Cash Balances, December 31	<u>\$169,178</u>	<u>\$136,196</u>	<u>\$0</u>	<u>\$305,374</u>
Reserve for Encumbrances, December 31	\$100,071	\$12,819	\$1,739,868	\$1,852,758
	<u>\$100,071</u>	<u>\$12,819</u>	<u>\$1,739,868</u>	<u>\$1,852,758</u>

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

**BURTON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Burton Township, Geauga County, Ohio, (the Township) 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Burton Township volunteer fire department for fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township 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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**BURTON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (continued)

Fire Levy Fund – This fund receives property tax money to provide fire protection for residents.

3. Capital Project Funds

These funds are 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 Township had the following significant capital project funds:

Issue II Fund - The Township received a grant from the State of Ohio to repair roads and replace a dangerous intersection.

Miscellaneous Capital Projects Fund – This fund receives monies from the Ohio Public Works, the City of Akron, and the Township for the purchase of land.

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**BURTON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$145,300	\$16,634
Certificates of deposit	150,000	50,000
Total deposits	295,300	66,634
Repurchase agreement	0	238,740
Total investments	0	238,740
Total deposits and investments	\$295,300	\$305,374

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments: Repurchase agreements are uninsured and unregistered securities which are held by the counterparty, or by its trust department or agent but not in the Township's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003, and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$334,344	\$344,663	\$10,319
Special Revenue	302,288	331,083	28,795
Capital Projects	148,000	1,357,763	1,209,763
Total	\$784,632	\$2,033,509	\$1,248,877

2003 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$404,693	\$354,230	\$50,463
Special Revenue	438,985	331,590	107,395
Capital Projects	1,870,487	1,382,594	487,893
Total	\$2,714,165	\$2,068,414	\$645,751

**BURTON TOWNSHIP
GEOUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$231,398	\$249,790	\$18,392
Special Revenue	258,311	298,638	40,327
Capital Projects	2,009,250	269,382	(1,739,868)
Total	\$2,498,959	\$817,810	(\$1,681,149)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$409,243	\$358,678	\$50,565
Special Revenue	399,089	316,039	83,050
Capital Projects	400,000	2,009,250	(1,609,250)
Total	\$1,208,332	\$2,683,967	(\$1,475,635)

Contrary to Ohio Revised Code Sections 5705.41 (B) and (D), the Township had expenditures plus encumbrances that exceeded appropriations plus prior year encumbrances by \$148,000 and \$1,609,250 for the years ended December 31, 2003 and December 31, 2002 respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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 payment, 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 Township.

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 Township.

5. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. These plans provide 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

**BURTON TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RISK MANAGEMENT

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

OTARMA'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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>9,187,512</u>	<u>9,379,003</u>
Retained Earnings	<u>14,569,524</u>	<u>14,324,773</u>
 <u>Property Coverage</u>	 <u>2002</u>	 <u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>1,204,326</u>	<u>647,667</u>
Retained Earnings	<u>5,392,670</u>	<u>4,363,464</u>

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Auditor of State Betty Montgomery

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

Burton Township
Geauga County
14821 Rapids Road
P.O. Box 355
Burton, OH 44021

To the Board of Trustees:

We have audited the accompanying financial statements of Burton Township, Geauga County, Ohio (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated March 5, 2004, wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, and implemented, and, as requested, operates UAN. 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 Township'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 5, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township'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. 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 Township in a separate letter dated March 5, 2004.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

This report is intended solely for the information and use of management, and the Board of Trustees, 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

March 5, 2004

**BURTON TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Noncompliance Citation

Expenditures and Encumbrances in Excess of Appropriations

Ohio Revised Code Sections 5705.41(B) and (D) prohibits a subdivision or taxing unit from making an expenditure or an expenditure plus encumbrances unless it has been appropriated. During our year end testing for the fiscal years ending December 31, 2003 and December 31, 2002, we noted expenditures plus encumbrances exceeded appropriations at the legal level of control (object level) as follows:

<u>Fund Description</u>	<u>Appropriations Plus Prior Year Encumbrances</u>	<u>Expenditures Plus Encumbrances</u>	<u>Difference</u>
<u>December 31, 2002</u>			
Capital Projects Fund			
<i>Miscellaneous Capital Projects</i>			
Land	\$0	\$1,609,250	(\$1,609,250)
<u>December 31, 2003</u>			
Capital Projects Fund			
<i>Public Works Commission</i>			
Contracted Services	\$0	\$148,000	(\$148,000)

We recommend the Township amend appropriations as deemed appropriate and have the amendments approved by the County in accordance with the above revised code section.

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**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

BURTON TOWNSHIP

GEAUGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 29, 2004**