

Village of Burbank

Wayne County

Fiscal Emergency Analysis

Local Government Services Division



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

DECLARATION OF FISCAL EMERGENCY

The Auditor of State performed a fiscal emergency analysis of the Village of Burbank pursuant to Section 118.04, Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the Village of Burbank due to the existence of fiscal emergency conditions as defined in Section 118.03 (A)(4), (5), and (6) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Donald Hopkins Sr., Mayor of the Village of Burbank; Tim Reed, President of Council; Irene Chaffin, Clerk-Treasurer; Joseph T. Deters, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Bob Taft, Governor; Thomas W. Johnson, Director of Office of Budget and Management and Jarra Underwood, Secretary of the Wayne County Budget Commission, as required by Section 118.04 of the Ohio Revised Code.

JIM PETRO
Auditor of State

September 28, 2000

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Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, the Auditor of State, as requested by the Mayor of the Village of Burbank (the Village), performed a fiscal emergency analysis of the Village of Burbank, Wayne County.

The guidelines for performing such an analysis are set forth in Section 118.03 of the Ohio Revised Code. The specific procedure performed for each of the fiscal emergency conditions identified in Sections 118.03, Revised Code, is presented below.

Determination of Fiscal Emergency Conditions

Section 118.03 of the Ohio Revised Code defines the six conditions for the existence of a fiscal emergency. The existence of any one of these conditions constitutes grounds for a fiscal emergency. These conditions are:

1. **Default on Any Debt Obligation**

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

2. **Failure to Make Payment of All Payroll**

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation, county, or township in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than thirty days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by written consent of at least two thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives. The failure of one county office, board, or commission to meet payroll does not in itself constitute a fiscal emergency.

3. **Increase in Minimum Levy**

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

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4. General Fund and All Special Funds Past Due Accounts Payable

- (a) The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that had either been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgements, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.
- (b) Any year-end condition described in division (A)(4) of Section 118.03 of the Ohio Revised Code shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account all accounts payable past due for sixty days or subject to penalty at the time of such demonstration, rather than at the end of the fiscal year. Unless the determination by the Auditor of State occurs more than four months following the end of such fiscal year, upon the request by and substantial showing of the municipal corporation that it has taken steps to remove such condition within four months, the Auditor shall postpone a determination as to a condition under division (A)(4) of this section as to which a substantial showing is made until the expiration of four months following the end of such fiscal year.

5. Deficit Fund Balances

- (a) The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.
- (b) Any year-end condition described in division (A)(5) of Section 118.03 of the Ohio Revised Code shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account all deficit amounts of deficit funds as at the time of such demonstration, rather than at the end of the fiscal year. Unless the determination by the Auditor of State occurs more than four months following the end of

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such fiscal year, upon the request by and substantial showing of the municipal corporation that it has taken steps to remove such condition within four months, the Auditor shall postpone a determination as to a condition under division (A)(5) of this section as to which a substantial showing is made until the expiration of four months following the end of such fiscal year.

6. Treasury Deficit

- (a) The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.
- (b) Any year-end condition described in division (A)(6) of Section 118.03 of the Ohio Revised Code shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account all positive balances as at the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, township at the time of such demonstration that are in case of division (A)(6) of this section, held to meet such positive balances; provided that changes from the year end condition resulting from borrowings or advances between funds, segregation of treasury moneys or investments, and similar adjustments, shall not be taken into account to demonstrate improvement in any fiscal emergency condition. Unless the determination by the Auditor of State occurs more than four months following the end of such fiscal year, upon the request by and substantial showing of the municipal corporation that it has taken steps to remove such condition within four months, the Auditor shall postpone a determination as to a condition under division (A)(6) of this section as to which a substantial showing is made until the expiration of four months following the end of such fiscal year.

We performed the following procedures to determine whether a fiscal emergency should be declared for the Village of Burbank.

Default on Any Debt Obligation

We reviewed the outstanding indebtedness of the Village as of July 31, 2000. The Village has two Ohio Water Development Authority loans outstanding in the aggregate amount of \$582,282. These loans relate to a water and sewer plant project. The loans are due in a balloon payment on July 1, 2001.

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1) as of July 31, 2000.

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Failure to Make Payment of All Payroll

We requested the payroll records of the Village as of July 31, 2000. We reviewed the Council minutes, ordinances and resolutions to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We interviewed employees of the Village and determined that two police officers have not been paid for their services in February and March of 2000. We also reviewed the cash journal to determine whether payroll had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Ohio Revised Code.

Conclusion: We are unable to determine whether a fiscal emergency condition does or does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of July 31, 2000. The Village has limited payroll records for the year 2000 and we are unable to identify procedures for the payment of payroll.

Increase in Minimum Levy

We confirmed with the Wayne County Auditor whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of the Village for the year 2000 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Wayne County Auditor indicated that no action had been taken by the Budget Commission to increase the inside millage of the Village and, therefore, no other subdivision's millage was reduced for fiscal year 2000 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code.

Past Due Accounts Payable from the General Fund and All Funds

We prepared a schedule of accounts payable as of December 31, 1999, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 1999, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. From this amount we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

Schedule I

Accounts Payable from the General Fund Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 1999

	Payables Over 30 Days Past Due	Less General Fund Balance Available	Payables In Excess of Balance Available	Less 1/6th of the General Fund Budget	Accounts Payable Surplus
General Fund	\$6,104	\$0	\$6,104	\$10,133	\$4,029

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From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 1999. From this amount we subtracted the year end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 1999, excluding non-recurring receipts, of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule II

Accounts Payable from All Funds Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 1999

	Payables Over 30 Days Past Due	Less Fund Balance Available	Payables In Excess of Balance Available	Less 1/6th of the Available Revenues	Accounts Payable Deficiency
General Fund	\$6,104	\$0	\$6,104	\$5,196	(\$908)
Street Construction, Maintenance and Repair Fund	4,095	43,890	0	1,581	0
Water Fund	41,000	212	40,788	0	(40,788)
Sewer Fund	53,000	29,837	23,163	0	(23,163)
Totals	<u>\$104,199</u>	<u>\$73,939</u>	<u>\$70,055</u>	<u>\$6,777</u>	<u>(\$64,859)</u>

We prepared a schedule of accounts payable as of July 31, 2000, that were due and payable from the general fund, and that had been due and payable for at least sixty days or to which a penalty had been added for failure to pay as of July 31, 2000, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. From this amount we subtracted the July 31, 2000 fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

Schedule III

Accounts Payable from the General Fund Over 60 Days Past Due
Ohio Revised Code Section 118.03(A)(4) and (B)
As of July 31, 2000

	Payables Over 60 Days Past Due	Less General Fund Balance Available	Payables In Excess of Balance Available	Less 1/6th of the General Fund Budget	Accounts Payable Surplus
General Fund	\$11,644	\$0	\$11,644	\$14,677	\$3,033

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From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least sixty days past due or to which a penalty was added as of July 31, 2000. From this amount we subtracted the July 31, 2000 fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2000, excluding non-recurring receipts, of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule IV

Accounts Payable from All Funds Over 60 Days Past Due
Ohio Revised Code Section 118.03(A)(4) and (B)
As of July 31, 2000

	Payables Over 60 Days Past Due	Less Fund Balance Available	Payables In Excess of Balance Available	Less 1/6th of the Available Revenues	Accounts Payable Deficiency
General Fund	\$11,644	\$0	\$11,644	\$7,070	(\$4,574)
Street Construction, Maintenance and Repair	134	40,411	0	1,501	0
Water	44,760	212	44,548	0	(44,548)
Sewer	57,901	23,299	34,602	2,165	(32,437)
Totals	\$114,439	\$63,922	\$90,794	\$10,736	(\$81,559)

Conclusion: In Schedules I and III, a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. The accounts payable from the general fund that were at least thirty days past due at December 31, 1999, and at least sixty days past due at July 31, 2000, did not exceed one sixth of the general fund budget. The amounts presented in amended certificate of estimated resources which were used to calculate one-sixth of the general fund budget were grossly overstated in comparison to the actual amounts. However, in Schedules II and IV a fiscal emergency condition does exist under Section 118.03(A)(4) of the Ohio Revised Code. The accounts payable from all fund's which were at least thirty days past due as of December 31, 1999, and at least sixty days past due, as of July 31, 2000, exceeded the available balance of the respective funds and one sixth of the available revenues by \$64,859 and \$81,559, respectively.

Deficit Fund Balances

We computed the adjusted aggregate sum of all deficit funds as of December 31, 1999, by subtracting all accounts payable from year-end cash fund balances of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts of those deficit funds. After computing the unprovided portion of the aggregate deficit, we subtracted funds that may be transferred, as provided in Section 5705.14 of the Revised Code, to meet such deficits.

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Schedule V

Deficit Fund Balances
Ohio Revised Code Section 118.03 (A)(5)
As of December 31, 1999

	Cash Fund Balance	Less Accounts Payable	Adjusted Aggregate Funds With Deficit Balances	1/6th of General Fund Budget And Revenues Lawfully Available	Unprovided Portion of Aggregate Deficit
General Fund	(\$45,481)	\$12,013	(\$57,494)	\$10,133	(\$47,361)
Water	212	41,000	(40,788)	0	(40,788)
Sewer	29,837	53,000	(23,163)	0	(23,163)
Subtotal	<u>(\$15,432)</u>	<u>\$106,013</u>	<u>(\$121,445)</u>	<u>\$10,133</u>	<u>(111,312)</u>
Funds Available for Transfer from the Mayor's Court Fund					<u>5,152</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u><u>(\$106,160)</u></u>

We computed the adjusted aggregate sum of all deficit funds as of July 31, 2000, by subtracting all accounts payable from year-end cash fund balances of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts of those deficit funds. After computing the unprovided portion of the aggregate deficit, we subtracted funds that may be transferred, as provided in Section 5705.14 of the Revised Code, to meet such deficits.

Schedule VI

Deficit Fund Balances
Ohio Revised Code Section 118.03 (A)(5) and (B)
As of July 31, 2000

	Cash Fund Balance	Less Accounts Payable	Adjusted Aggregate Funds With Deficit Balances	1/6th of General Fund Budget And Revenues Lawfully Available	Unprovided Portion of Aggregate Deficit
General Fund	(\$56,364)	\$32,683	(\$89,047)	\$14,677	(\$74,370)
Water	212	44,760	(44,548)	0	(44,548)
Sewer	23,299	64,919	(41,620)	2,165	(39,455)
Subtotal	<u>(\$32,853)</u>	<u>\$142,362</u>	<u>(\$175,215)</u>	<u>\$16,842</u>	<u>(158,373)</u>
Funds Available for Transfer from the Mayor's Court Fund					<u>12,537</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u><u>(\$145,836)</u></u>

Conclusion: In Schedules V and VI, the amounts presented in amended certificate of estimated resources were used to calculate the one-sixth of the general fund budget. These amounts were grossly overstated in comparison to the actual amounts. Schedules V and VI indicate that a fiscal emergency condition exists under Section 118.03(A)(5) of the Ohio Revised Code as of December 31, 1999, and July 31, 2000. The total unprovided portion of aggregate deficit funds as of December 31, 1999, and July 31, 2000, is \$106,160 and \$145,836, respectively.

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Treasury Balances

We verified the Village's reconciliation of its bank balances to its cash book balance as of December 31, 1999, and July 31, 2000. From the treasury balance we subtracted the aggregate sum of all positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. We then subtracted from the treasury deficit one-sixth of the total amount received into the unsegregated treasury during 1999 and estimated to be received into the unsegregated treasury for the year 2000, to determine the treasury deficiency.

Treasury Balances		Schedule VII	
Ohio Revised Code Section 118.03(A)(6) and (B)			
As of December 31, 1999, and July 31, 2000			
	Amounts December 31, 1999	Amounts July 31, 2000	
Bank Balances:			
General Account	\$26,062	\$ 2,620	
Certificate of Deposit	20,000	20,000	
Mayor's Court Account	7,060	14,445	
Water Account	212	0	
Sewer Account	29,837	23,488	
Total Cash	<u>83,171</u>	<u>60,553</u>	
Less Adjustments for:			
Outstanding Checks	(10,507)	(743)	
December 1999 Interest	(44)	(44)	
Service Charges	0	2	
Total Adjustments	<u>(10,551)</u>	<u>(785)</u>	
Total Treasury Balance	<u>72,620</u>	<u>59,768</u>	
Less the Positive Fund Balances for:			
Street Construction Maintenance and Repair	43,890	40,411	
State Highway	17,849	18,275	
Permissive	10,617	11,403	
Park	7,587	6,998	
Water	212	212	
Sewer	29,837	23,299	
Court Computerization	2,967	2,967	
Mayor's Court	5,152	12,537	
Total Positive Fund Balances	<u>118,111</u>	<u>116,102</u>	
Treasury Balances Less Positive Fund Balances	(45,491)	(56,334)	
1/6th Treasury Receipts	7,847	16,340	
Treasury Excess (Deficiency)	<u><u>(\$37,644)</u></u>	<u><u>(\$39,994)</u></u>	

Conclusion: Schedule VII indicates indicate that a fiscal emergency condition exists under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 1999, and July 31, 2000. The treasury balance less the positive fund balances exceed one-sixth of the treasury receipts. The Village had a treasury deficiency as of December 31, 1999, and July 31, 2000, of \$37,644 and \$39,994, respectively.

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Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency exists at the Village of Burbank due to the existence of fiscal emergency conditions defined in Sections 118.03(A)(4), (5), and (6), Revised Code and presented above.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.