



**Auditor of State
Betty Montgomery**

**Village of Burbank
Wayne County, Ohio
Fiscal Emergency Termination**

Local Government Services Section

**VILLAGE OF BURBANK
WAYNE COUNTY**

FISCAL EMERGENCY TERMINATION

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**Auditor of State
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CERTIFICATION

At the request of the Financial Planning and Supervision Commission of the Village of Burbank, the Auditor of State has reviewed the financial operations of the Village of Burbank and has determined that the Village has met the conditions set forth in Section 118.27(A) of the Revised Code. Therefore, the existence of the Village of Burbank Financial Planning and Supervision Commission and its role in the operation of the Village of Burbank is terminated as of November 9, 2006.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Donald E. Hopkins, Sr., Mayor of the Village of Burbank; Joy Sherwin, President of Council; Jennette Bradley, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Bob Taft, Governor; Timothy S. Keen, Director of the Office of Budget and Management, and Jarra L. Underwood, Secretary of the Wayne County Budget Commission.

The Village has not eliminated fiscal emergency conditions that existed at the time of declaration and an effective financial accounting and reporting system has not been fully implemented. Pursuant to Section 118.27(A), Revised Code, the Auditor of State will monitor the Village to insure elimination of all fiscal emergency conditions and to secure full implementation of the accounting system within two years. The Auditor of State will also monitor the Village on a monthly basis for any indication of activities or circumstances that endanger the City's financial stability and report those findings to Village Council and the Mayor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 9, 2006

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

Report on Termination of the Burbank Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Village of Burbank (the Commission), Wayne County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code, should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A), Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter, shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) Planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to section 118.04 of the Ohio Revised Code, and no new emergency conditions have occurred...; (3) Met the objectives of the financial plan described in section 118.06 of the Ohio Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”

Results of our work under section 118.27(A), Ohio Revised Code, are as follows:

Pages three through seventeen of our report indicate that the Village has effectively implemented or is in the process of implementing corrections to its financial accounting and reporting system in accordance with section 118.10(A) of the Ohio Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under section 118.04, of the Ohio Revised Code. This analysis can be found beginning on page 18.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with section 118.06 of the Ohio Revised Code. Specific conclusions can be found on page 23.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State's Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated. The Village has not eliminated the fiscal emergency conditions that existed at the time of declaration and has not completed its implementation of an effective financial accounting and reporting system; therefore, the Auditor of State will monitor the progress of the Village to insure the elimination of all emergency conditions and to secure full implementation of the accounting system.

It is understood that this report's determination is for the use of the Financial Planning and Supervision Commission of the Village of Burbank, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Burbank, and others as designated by the Auditor of State, and is not to be used for any other purpose. Our procedures and findings follow.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

SECTION 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files and reports of the Village of Burbank (Village) and issued an Accounting Report, dated December 28, 2000. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination includes confirmation of the actions taken by management to address the issues identified in the Financial Accounting Report. A summary of the actions taken by management to address those issues is presented below:

Budgetary System

Implemented

- *No budget amounts are recorded in the Village's accounting records.*

Estimated revenues and appropriations are recorded in the Village's account ledgers. Any revisions to the estimated revenues are posted upon receipt of the amended certificate from the county auditor and supplemental appropriations are posted upon receipt of the county auditor's certificate indicating that appropriations are within the estimated resources.

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

The 2005 and 2006 tax budgets were prepared by the Village and filed with the county auditor on July 20, 2004 and July 11, 2005, respectively, meeting the statutory deadline of July 20.

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

The Certificate of the Total Amount from All Sources Available for Expenditures, and Balances for the year end December 31, 2005 was filed on January 17, 2006 and included correct fund balances for all funds. The County Auditor issued a certificate that appropriations were within estimated resources on January 17, 2006.

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

The Village passed permanent appropriations for 2006 on January 11, 2006 and for 2005 on January 5, 2005.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

Accounting Ledgers

Implemented

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

The following deficiencies were found with the receipts ledger:

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

The following deficiencies were found with the appropriation ledger:

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

The Village began using the Uniform Accounting Network (UAN) software in August of 2001 and eliminated the manual cash journal and receipt and appropriation ledgers. The UAN software eliminated all of the deficiencies noted above for the cash journal and the receipt and appropriations ledgers and the records are kept up-to-date.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

Receipt Transactions

Implemented

- *Deposits are not always made timely.*

Village employees deposit receipts within 24 hours if the amount is over \$1,000 or, as established by ordinance, within three business days if the amount is less than \$1,000. Receipts not deposited within 24 hours are kept in a locked file until deposited.

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

Receipts are recorded with the appropriate receipt codes and are posted weekly.

- *Pay-ins are not always prepared.*

The village fiscal officer issues receipts to all payees, which identifies the payee, purpose and amount received. When the receipt is posted to the accounting system a standard receipt is generated, which identifies the payee, purpose, amount received and account code. The system generated receipt form replaced the pay-in used in the manual accounting system.

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

All pay-ins contain the complete fund, source, and account code.

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

Supporting documentation is attached to all system generated receipts and filed in a folder for that month. This folder is kept in the fiscal officer's desk at the Village hall. The system generated receipt replaced the manual pay-in-order used in the manual accounting system.

Purchasing Process

Implemented

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

Council adopted a purchasing policy manual that requires the approval of the fiscal officer for routine purchases. Non-routine purchases, such as capital assets and bid items, require the approval of and are approved by, Council. All purchase orders are signed by the fiscal officer as to availability of funds.

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

A purchasing policy requiring the use of purchase orders and outlining certain procedures was adopted by Council in April 2005.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

Cash Disbursements

Implemented

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

When goods are received, the appropriate official signs the receiving slip indicating the receipt of goods. When services are performed, the appropriate official signs the invoice to indicate that the work was completed. The fiscal officer matches the receiving slip to the invoice and purchase order and recomputes the invoice for accuracy prior to payment.

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

All cash disbursements for goods or services are made from accounts with the funds encumbered. No disbursements are made without the fiscal officer's certification.

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

The Village utilizes purchase orders and purchases are authorized in advance with a purchase order.

- *The Clerk-Treasurer's certification is not furnished as required for each expenditure and the Village Council has not authorized, by resolution, the payment of the expenditure when the amount exceeds the statutory limit for fiscal officer approval.*

Any purchases made without prior authorization by the fiscal officer in excess of \$200 are approved by council.

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

Paid invoices are kept in a folder by month with the appropriate supporting documentation attached. The paid invoices are filed in the fiscal officer's desk. Unpaid invoices are held separate from paid invoices.

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

The fiscal officer provides a listing of all bills to be paid to Council for approval at the monthly meeting.

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

Once a vendor is entered into the UAN System, the vendor is identified as a vendor to receive an IRS form 1099, if the criteria for issuing an IRS Form 1099 are met. The Fiscal Officer requires each new vendor doing business with the Village to submit its tax identification number or social security number.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

Payroll Processing

Implemented

- *The Village currently has only the clerk, mayor and council members on payroll. The payrolls are not paid on a regular basis and no time sheets are attached to the payroll registers. The only payroll deductions that are made are for PERS. No deductions for Federal taxes, State taxes or Medicare are computed or withheld. Ordinances addressing the compensation of elected officials and employees could not be located.*

The Village Council has set the compensation of its officials and employees by ordinance. The compensation paid is net of the appropriate withholdings for pension contributions and Federal and State taxes and the Village Fiscal Officer maintains the appropriate payroll records. The payment of withholdings is within the required time periods.

Debt Administration

Implemented

- *The Village has outstanding Ohio Water Development Authority (OWDA) loans for \$219,282 and \$363,000 for water and sewer plant projects, respectively. Both loans have an interest rate of 4.56 percent and are due in a balloon payment on July 1, 2001.*
- *The Village is in the process of asking Wayne County to take over the sewer plant project. If this occurs, Wayne County will assume the sewer portion of the OWDA loan debt.*

The Village entered into an agreement dated July 25, 2001, with Wayne County, whereby Wayne County created the Burbank Sewer District and agreed to construct, operate, and maintain a wastewater treatment plant and sewage collection system. As part of the agreement, the OWDA planning note in the amount of \$363,000 was assumed by Wayne County.

In Process of Implementation

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

The Village arranged with OWDA to pay \$500 a month towards the water planning loan and the Village did so until January, 2006. An agreement between the Village and OWDA was signed on April 4, 2006, whereby the Village will make semi-annual payments on January 1 and July 1 of \$6,174 to OWDA beginning January 1, 2007 until the loan is paid in full in 2026. The agreement also requires the Village to obtain a new source of revenue for the payment of the loan or commence with a water line construction project in 2008.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

Inventory of Capital Assets

Implemented

- *The Village, by not maintaining a capital asset inventory, cannot determine the following:*
 - a. *An adequate amount of insurance coverage;*
 - b. *That assets are used in the most efficient manner;*
 - c. *Whether idle assets exist that could be sold to generate additional revenue; or*
 - d. *Whether an asset has been lost or stolen.*

The Village has created a capital asset inventory. The inventory identified assets no longer needed and the Village sold the assets at auction in September, 2005. There is an insurance listing with replacement values for those items that are material. This listing is analyzed and updated annually by both the Village and the insurance company. The Administrative Code requires that Villages keep capital asset records including such information as the original cost, acquisition date, voucher number, the asset type, asset description, location and tag number. Although the Village only includes descriptions and locations, the missing data does not effect their financial reporting and will be added in the future.

Cash Management and Investing

Implemented

- *The bank statements are never reconciled to the cash journal.*
- *The Clerk-Treasurer's reconciliation on the back of the bank statement does not provide adequate space to properly document the outstanding checks and deposits and any other items necessary to reconcile the bank to the cash journal.*

The Fiscal Officer completes a monthly bank reconciliation which includes bank balances, an outstanding check list, and a list of other adjustments. The reconciliation matches the treasury balance to the total of all fund cash balances.

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

The reconciliation is completed accurately within five to ten days of month end. All reconciling items are documented.

Financial Reporting:

Implemented

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

The Village filed its 2004 and 2005 annual financial reports with the Auditor of State on January 12, 2005 and January 20, 2006, respectively, well within the sixty day filing deadline.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

- *Interim financial reporting is not done by the fiscal officer.*

Detailed monthly reports providing month and year-to-date information are prepared and distributed by the Fiscal Officer to Council and the Mayor on a monthly basis. The Mayor and Council indicate receipt of the reports by signing a document that lists each report distributed to them. The signature page is kept with the council minutes.

Recording Official Proceedings:

Implemented

- *Council minutes were not always approved.*

The Council meetings are held on the first Monday of each month. The minutes are approved by Council and signed by the Fiscal Officer and Mayor at the following Council meeting.

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

The minutes give a clear and complete indication of Council's discussions, refer to ordinances and resolutions by title, and include the vote of each Council member on proposed legislation.

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

The minutes, ordinances, and resolutions are each kept in their own three ring binder and are available for review at the Village Hall.

SECTION 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2), Revised Code, the Village shall have corrected or eliminated or have planned and is in the process of good faith implementation of action to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency, and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six conditions fiscal emergency conditions described in Section 118.03, Revised Code is presented below.

Condition One – Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code, defines a fiscal emergency condition as:

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.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

A summary of the Village's outstanding debt is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>
OWDA Sewer Improvements Loan	0.00%	2000	\$246,957

We reviewed the outstanding indebtedness of the Village as of September 30, 2006. The Village has \$246,957 in outstanding debt at September 30, 2006, and has made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(1) of the Ohio Revised Code, as of September 30, 2006. The Village has not defaulted on any debt obligations.

Condition Two – Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code, defines a fiscal emergency condition as:

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 in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than 30 days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of 90 days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than 30 days by the written consent of at least two thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We obtained the Village's payroll registers, resolutions and ordinances and payroll charge register to identify gross salary amounts, deductions, and net payments made to the employees of the Village. The payroll registers and charge register were analyzed to verify payroll payments. Employees were contacted to verify payments were made.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(2) of the Ohio Revised Code as of September 30, 2006. All employees have been paid in amounts and at the times required by ordinance.

Condition Three – Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Ohio Revised Code, defines a fiscal emergency condition as:

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 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.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

We confirmed with the Wayne County Auditor, Chairman of the County Budget Commission, 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 of Burbank for 2005 and 2006 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 Wayne County Budget Commission to increase the inside millage of the Village and, therefore, no other subdivision's millage was reduced for 2005 or 2006.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(3), Ohio Revised Code as of September 30, 2006.

Condition Four – Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Ohio Revised Code, defines a fiscal emergency condition as:

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 either had 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 judgments, fringe benefit 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, exceeding 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 and that either had been due and payable for at least thirty days as 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 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.

We searched for accounts payable as of December 31, 2005, that were due and payable from all funds of the Village, 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, 2005, 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 penalties. It was not necessary to proceed further with this analysis since the Village did not have any accounts payable that had been due and payable for at least 30 days at December 31, 2005.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(4) of the Ohio Revised Code. The Village had no payables that had been due and payable for more than thirty days at December 31, 2005.

Condition Five – Deficit Fund Balances

Section 118.03(A)(5) of the Ohio Revised Code, defines a fiscal emergency condition as:

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.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

We reviewed the fund financial statements of the Village for any deficit funds at December 31, 2005 and September 30, 2006. The Village had no deficit fund balances as of December 31, 2005; however, there were outstanding advances to the general fund from the Street Construction Maintenance and Repair and State Highway funds. The Street Construction Maintenance and Repair and State Highway funds are restricted for road purposes and are not available for general fund purposes. The adjusted aggregate sum of all deficit funds as of December 31, 2005 and September 30, 2006, was computed by adjusting the cash balance for the outstanding advances and subtracting the accounts payable and encumbrances 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.

Schedule I

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2005

Funds	Cash Fund Balance	Outstanding Advances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Funds with Deficit Balances	1/6th of Revenues Lawfully Available	Unprovided Portion of Aggregate (Deficit)
General	\$15,545	(\$43,925)	(\$1,168)	(\$29,548)	\$8,338	(\$21,210)
SCM&R	79,985	38,423	59	0	-	0
State Highway	13,755	5,502	5	0	-	0
Totals	\$109,285	\$0	(\$1,104)	(\$29,548)	\$8,338	(\$21,210)

Schedule II

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of September 30, 2006

Funds	Cash Fund Balance	Outstanding Advances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Funds with Deficit Balances	1/6th of Revenues Lawfully Available	Unprovided Portion of Aggregate (Deficit)
General	\$25,716	(\$37,490)	\$0	(\$11,774)	\$6,989	(\$4,785)
SCM&R	94,499	33,068	0	0	-	0
State Highway	15,284	4,422	0	0	-	0
Totals	\$135,499	\$0	\$0	(\$11,774)	\$6,989	(\$4,785)

The Village Council passed Ordinance No. 03-15 on October 6, 2003, which established monthly payments to the Street Construction, Maintenance, and Repair and State Highway funds in the amount of \$595 and \$120, respectively, until the advances are repaid. The advances due to the Street Construction Maintenance and Repair and the State Highway funds should be paid in full by May 2011 and October 2009, respectively. The unprovided portion of the aggregate general fund deficit caused by the outstanding advances will be eliminated by April 30, 2008, based on the monthly payments to the Street Construction Maintenance and Repair and the State Highway funds.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

Conclusion: A fiscal emergency condition continues to exist under Section 118.03(A)(5) of the Ohio Revised Code as of September 30, 2006. The general fund had an aggregate deficit balance of \$4,785 at September 30, 2006; however, the Village is in the process of good faith implementation of action to correct and eliminate this fiscal emergency condition.

Condition Six – Treasury Balances

Section 118.03(A)(6) of the Ohio Revised Code, defines a fiscal emergency condition as:

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 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 deficit exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balances to its fund cash balances as of December 31, 2005 and September 30, 2006. We then subtracted the positive cash fund balances of the special funds as of December 31, 2005 and September 30, 2006, to determine if there was a treasury deficiency.

Schedule III

Treasury Balance Ohio Revised Code Section 118.03(A)(6) As of December 31, 2005

	12/31/2005	9/30/2006
Bank Cash Balances:		
Wayne Savings Community Bank	\$43,694	\$58,851
Certificates of Deposit	88,000	99,900
Total Bank Balance	131,694	158,751
Less Outstanding Checks	(368)	0
Total Treasury Balance	131,326	158,751
Less: Total Positive Cash Balances		
SCMR	118,408	127,567
State Highway	19,257	19,706
Parks and Recreation	5,610	6,009
Permissive Motor Vehicle License Tax	12,900	13,712
Playground Equipment	3,531	3,531
Total Positive Cash Balances	159,706	170,525
Treasury Balance less Positive Fund Balances	(\$28,380)	(\$11,774)
1/6 Treasury Receipts	12,494	12,784
Treasury Excess/(Deficiency)	(\$15,886)	\$1,010

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

Conclusion: Schedule III indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of September 30, 2006. The treasury balance less the total of the positive fund cash balances did not exceed one-sixth of the treasury receipts as of September 30, 2006.

SECTION 3 - Financial Plan Objectives

In order to be removed from fiscal emergency, the Village must have met the objectives of the financial plan as outlined in Section 118.06 of the Revised Code. These objectives are:

1. Eliminate all fiscal emergency conditions;
2. Satisfy any judgments, past due accounts payable, and all past due and payable payroll and fringe benefits;
3. Eliminate the deficits in all deficit funds;
4. Restore to construction and other special funds moneys from such funds that were used for purposes not within the purposes of such funds;
5. Balance the budgets, avoid future deficits, and maintain current payments of payroll, fringe benefits and all accounts;
6. Avoid any fiscal emergency condition in the future.

The Auditor of State's Office has reviewed the current financial status and operations of the Village and has made the following determinations:

1. As set forth in section two of this report, all fiscal emergency conditions have been eliminated;
2. Section 2, Condition 4 identifies outstanding payables for the general fund and all funds. The Village has no outstanding payables over 30 days past due.
3. Section 2, Condition 5 indicates that all funds have a positive balance. There are no deficit funds.
4. All interfund payables that arose because cash was used for purposes not intended have been satisfied.
5. The financial forecast demonstrates the ability to avoid future deficits and to maintain current payment of payroll, fringe benefits, and accounts payable and maintain balanced budgets.
6. The financial forecast also demonstrates the ability to avoid future fiscal emergency conditions.

The Village's financial plan identified specific actions to be taken by the Village to achieve these objectives. The Auditor of State's Office also reviewed the status of each specific action identified in the plan. The specific action and the status are as follows:

- 1) Establish a payment plan with the Auditor of State for the unpaid audit services.
 - Implemented. The Village agreed to pay the Auditor of State \$500 a month until the balance was paid. The unpaid audit services were paid in full in December 2002.
- 2) Establish a payment plan with Ohio Water Development Authority for the water plant planning loan.
 - Implemented. The Village established a temporary payment plan with Ohio Water Development Authority for the payment of the water planning loan. From September 2001 to February 2006, the Village made payments of \$500 a month that were applied to the balance of the principal of the water loan. Thereafter, the Village will pay \$6,174 semi-annually for 20 years or until the loan can be combined with a construction loan for water lines.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

- 3) Restore to the Street Construction Maintenance and Repair and State Highway special revenue funds monies advanced to the General fund to eliminate the General fund deficit.
 - In Process of Implemented. The Village Council passed Ordinance No. 03-15 on October 6, 2003 which established monthly payments until the advances are repaid. The remaining balance as of December 31, 2005 for the Street Construction Maintenance and Repair fund advance was \$38,423 and should be paid off in May 2011. The remaining balance for the State Highway fund advance was \$5,502 and should be paid off in October 2009.
- 4) Reactivate the police department
 - Implemented. The Village reactivated its police department on June 19, 2001 and since it was not cost effective for the Village to maintain a police department, police operations were terminated on November 29, 2001.
- 5) When the current general fund levy expires, replace it with a replacement levy.
 - Implemented. Both Council and the Commission approved renewing the 3 mill current expense levy and the voters approved the levy on November 6, 2001. In addition, the voters passed a new 4 mill current expense levy on February 2, 2002. These levies will be collected from 2003 through 2007.
- 6) Contract with the Auditor of State for participation in the Uniform Accounting Network and implement the system.
 - Implemented. The Village has participated in the Uniform Accounting Network since 2001.
- 7) Council needed to prescribe, by ordinance, the date, content and frequency of the financial data to be reported to the Village Council.
 - Implemented. The Village Council passed Ordinance No. 03-3 on April 7, 2003, requiring each Council member to receive a monthly fund report and fund ledger.
- 8) Consolidate all checking accounts into one general checking account.
 - Implemented. The Village has consolidated all checking accounts into one general checking account.
- 9) Approach Wayne County to takeover the wastewater project.
 - Implemented. The Wayne County commissioners passed Resolution No. 2001-394 on July 25, 2001, whereby Wayne County created the Burbank Sewer District and agreed to construct, operate and maintain a wastewater treatment plant and sewage collection system. As part of the agreement, the OWDA planning note in the amount of \$363,000 was assumed by Wayne County.

Village of Burbank, Wayne County

Fiscal Emergency Termination Analysis

SECTION 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions and for avoiding fiscal crises in the future. A five-year forecast is required under 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

Disclaimer

Because the preceding 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 herein.

Appendix A

**Village of Burbank
Wayne County, Ohio**

**Financial Forecast
For the Years Ending December 31, 2006 through 2010**

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Village of Burbank
Financial Forecast

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**Auditor of State
Betty Montgomery**

Members of Council
Village of Burbank
Burbank, Ohio

Based upon the requirement set forth in Section 118.27 (A)(4) of the Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statement of revenues, expenditures and changes in fund balances for the General Fund for the five years ending December 31, 2010. This statement is presented on the cash basis of accounting used by the Village of Burbank rather than on generally accepted accounting principles. The Village of Burbank's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitable will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

This report is intended solely for the use of the Village of Burbank and the Financial Planning and Supervision Commission of Burbank and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 6, 2006

Village of Burbank
Statement of Revenues, Expenditures, and Changes in Fund Balance - Cash Basis
For the Years Ended December 31, 2003 through 2005, Actual
and Ending December 31, 2006 Through 2010, Forecasted
General Fund

	2003 Actual	2004 Actual	2005 Actual	2006 Forecasted
Revenues				
Property Taxes	\$27,000	\$23,100	\$22,800	\$22,300
Intergovernmental Revenue	16,600	18,900	17,000	17,700
Interest	1,100	500	200	200
Licenses, Permits and Fees	0	0	100	200
Miscellaneous	200	100	7,500	400
Total Revenues	44,900	42,600	47,600	40,800
Expenditures				
<i>General Government</i>				
<i>Mayor</i>				
Personal Services	400	400	300	300
Fringe Benefits	0	0	0	0
Total Mayor	400	400	300	300
<i>Council</i>				
Personal Services	900	700	600	800
Fringe Benefits	100	0	500	600
Contractual Services	2,500	8,400	3,200	3,700
Miscellaneous	200	0	3,200	0
Total Council	3,700	9,100	7,500	5,100
<i>Treasurer-Clerk, Fiscal Officer</i>				
Personal Services	5,700	5,400	8,200	2,700
Fringe Benefits	800	2,400	1,400	500
Contractual Services	500	600	1,400	1,300
Materials and Supplies	300	200	200	300
Total Treasurer-Clerk	7,300	8,600	11,200	4,800
<i>Lands and Buildings</i>				
Contractual Services	2,200	5,000	6,200	5,500
Capital Outlay	0	0	0	0
Total Lands and Buildings	2,200	5,000	6,200	5,500
<i>Auditor and Treasurer Fees</i>				
Contractual Services	1,400	1,200	1,500	1,400
<i>Auditor of State Fees</i>				
Contractual Services	3,000	1,300	6,700	800
<i>Solicitor</i>				
Personal Services	0	0	0	4,500
Fringe Benefits	0	0	0	700
Contractual Services	4,700	2,900	4,000	0
Total Solicitor	4,700	2,900	4,000	5,200
Total General Government	22,700	28,500	37,400	23,100
<i>Debt Service</i>				
Payment of Principal	900	6,000	6,000	7,200
Total Expenditures	23,600	34,500	43,400	30,300
Excess of Revenues Over Expenditures	21,300	8,100	4,200	10,500
Other Financing Sources (Uses)				
Transfers In	0	0	4,700	0
Advances Out	(8,600)	(8,600)	(9,300)	(8,600)
Total Other Financing Sources (Uses)	(8,600)	(8,600)	(4,600)	(8,600)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	12,700	(500)	(400)	1,900
Beginning Cash Balance	3,800	16,500	16,000	15,600
Ending Cash Balance	16,500	16,000	15,600	17,500
Less Outstanding Advances	59,900	52,500	43,900	35,300
Cash Balances less Outstanding Advances	(\$43,400)	(\$36,500)	(\$28,300)	(\$17,800)

See accompanying summary of of significant assumptions and accounting policies
See accountants report

2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$21,600	\$20,800	\$20,300	\$20,300
18,400	19,200	19,900	19,900
200	200	200	200
200	300	400	500
400	400	400	400
<u>40,800</u>	<u>40,900</u>	<u>41,200</u>	<u>41,300</u>
300	300	300	300
0	0	0	0
<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>
800	800	800	800
200	200	200	200
3,800	3,900	4,000	4,100
0	0	0	0
<u>4,800</u>	<u>4,900</u>	<u>5,000</u>	<u>5,100</u>
2,400	6,000	6,000	6,000
500	1,000	1,000	1,000
1,300	1,300	1,300	1,300
300	300	300	300
<u>4,500</u>	<u>8,600</u>	<u>8,600</u>	<u>8,600</u>
5,800	6,000	6,300	6,600
2,000	2,500	3,000	1,000
<u>7,800</u>	<u>8,500</u>	<u>9,300</u>	<u>7,600</u>
1,400	1,400	1,400	1,400
3,900	0	2,600	0
4,500	4,500	4,500	4,500
700	700	700	700
0	0	0	0
<u>5,200</u>	<u>5,200</u>	<u>5,200</u>	<u>5,200</u>
<u>27,900</u>	<u>28,900</u>	<u>32,400</u>	<u>28,200</u>
12,400	0	0	0
<u>40,300</u>	<u>28,900</u>	<u>32,400</u>	<u>28,200</u>
500	12,000	8,800	13,100
0	0	0	0
<u>(8,600)</u>	<u>(8,600)</u>	<u>(8,300)</u>	<u>(7,100)</u>
<u>(8,600)</u>	<u>(8,600)</u>	<u>(8,300)</u>	<u>(7,100)</u>
(8,100)	3,400	500	6,000
<u>17,500</u>	<u>9,400</u>	<u>12,800</u>	<u>13,300</u>
9,400	12,800	13,300	19,300
26,700	18,100	9,800	2,700
<u>(\$17,300)</u>	<u>(\$5,300)</u>	<u>\$3,500</u>	<u>\$16,600</u>

Village of Burbank, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2006 through 2010

Note 1 – The Village

The Village of Burbank (the “Village”) is located in Wayne County, Ohio, approximately 10 miles north of the City of Wooster and has a population of approximately 200. The Village operates as a statutory village with the decision making process being directed by an elected Village Council (Council) and Mayor.

On September 28, 2000, the Auditor of State’s office declared the Village of Burbank to be in a 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, Council President Pro Tempore, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer’s Office and the Office of Budget Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village’s discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Burbank provides general governmental services, street maintenance and park operations (leisure time activities). The Village’s departments include administration, parks and street. The administration includes the mayor, fiscal officer, solicitor and Council. The operation of each of these activities is directly controlled by the Village Council through the budgetary process.

Note 2 – Nature of Presentation

This financial forecast presents, to the best of the Village’s knowledge and belief, the expected revenues and expenditures and changes in fund balances of the general fund for the forecast period. Accordingly, the forecast reflects the Village’s judgment, as of November 6, 2006, the date of the forecast, the expected conditions, and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements and encumbrances, which is consistent with the budget (non-GAAP) basis of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The Village maintains its accounting in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other

Village of Burbank, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2006 through 2010

restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund

The general fund is the operating fund of the Village and is used to account 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 disbursed or transferred in accordance with Ohio Law.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

Capital Project Funds

Capital projects funds are to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control adopted by Village Council is established at the object level within each department and fund. Any budgetary modifications at these levels may only be made by resolution of Council. The Fiscal Officer has been given the ability to allocate appropriations beyond the levels adopted by Council.

Budget – A budget of estimated cash receipts and disbursements is submitted to the Wayne County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the succeeding year.

Estimated Resources – The county budget commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Village of Burbank, Ohio
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2006 through 2010

Encumbrances – The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements is to report the expenditures of resources, not costs.

Note 4 – Significant Revenue Assumptions

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property, manufactured home and tangible personal property taxes. The Village may request advances from the Wayne County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue. The Village uses property tax levies to finance the operations of the general fund.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”. Beginning in 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. This change will increase real property taxes collected against commercial and industrial property.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last triennial update was completed in 2005. The next reappraisal will take place in 2008. Based on past years, the Village anticipates only a slight increase in real property assessed valuations. In the past, the Village has lost tangible personal property tax due to business closures. The Village’s assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	2003	2004	2005	2006
Real Property				
Residential and Agriculture	\$1,978,110	\$1,991,080	\$1,982,370	\$2,092,080
Commercial and Industrial	150,720	141,300	141,300	139,280
Public Utility Personal Property	51,060	48,990	50,680	49,710
Tangible Personal Property	231,410	222,907	167,424	136,350
Total Assessed Value	<u>\$2,411,300</u>	<u>\$2,404,277</u>	<u>\$2,341,774</u>	<u>\$2,417,420</u>

The property tax revenues are generated from several levies. The levy type, the fund in which the proceeds are received, the original year approved, the latest renewal year, the first and last year of collection, and the full tax rate are as follows:

Village of Burbank, Ohio
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2006 through 2010

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	\$2.80
Operating	General	1997	2001	2003	2007	3.00
Operating	General	1997	2001	2003	2007	3.00
Operating	General	2002	n/a	2003	2007	4.00
Total						<u>\$12.80</u>

The general fund has three levies that will expire after 2007. It is the Village's intention to request voter approval to renew the general fund levies at the November, 2006 election. In the past, the voters have renewed the existing levies and the forecast assumes the voters will renew these levies again.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of property tax revenues on carryover property as in the prior year. Increases to voted levy revenues, other than bond levies, are restricted to assessments for new construction. Bond levies are intended to generate a set revenue amount each year and are not effected by changes in real property valuations. The reduction factors are computed annually and applied separately for residential and agricultural property and commercial and industrial property. Reduction factors are not applied to inside millage and tangible personal property tax levy rates. The effective residential and agricultural real property rates and the effective commercial and industrial real property rates for the general fund per \$1,000 of assessed valuation for collection years 2004, 2005, and 2006 are as follows:

Levy Type	Full Tax Rate Per \$1,000 of Assessed Valuation	Effective Rates for Collection Years Per \$1,000 of Assessed Valuation					
		Residential and Agricultural			Commercial and Industrial		
		2004	2005	2006	2004	2005	2006
Inside Millage							
General	\$2.80	\$2.8000	\$2.8000	\$2.8000	\$2.8000	\$2.8000	\$2.8000
Outside Millage							
Operating	3.00	2.3318	2.3308	2.2085	2.2939	2.2939	2.2781
Operating	3.00	2.3318	2.3308	2.2085	2.2939	2.2939	2.2781
Operating	4.00	3.4807	3.4792	3.2966	3.0615	3.0615	3.0400
Total	<u>\$12.80</u>	<u>\$10.9443</u>	<u>\$10.9408</u>	<u>\$10.5136</u>	<u>\$10.4493</u>	<u>\$10.4493</u>	<u>\$10.3962</u>

The Village also has a levy for park operations in the amount of \$3 per \$1,000 of assessed valuation. The Villages total tax rate is \$15.8 mills per \$1,000 of assessed valuation. The Village's total effective rate per \$1,000 of assessed valuation in 2006 for residential and agricultural real property and commercial and industrial real property is \$12.3199 and \$12.2993, respectively. Property taxes received for park operations are recorded in the park fund, which is not part of the forecast.

Village of Burbank, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2006 through 2010

Tangible Personal Property: Tangible personal property taxes have undergone several changes in the past several years. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Effective for tax years 2005 and 2006, the assessment rate on inventory, currently at 23 percent, was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, HB 66 will phase out by 25 percent each year tangible personal property tax on most businesses inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in 2009 and thereafter. Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The State of Ohio will reimburse the Village for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Intergovernmental Revenue below).

The State exempted the first \$10,000 in personal property from taxation. The State reimburses the Village for the lost revenue. Beginning with tax year 2004, the State was phasing out the reimbursement by 10 percent each year. The reimbursement is included in the tangible personal property tax revenues.

Real Property: Real property taxes have remained constant each year. Real property tax revenue increased in 2006 as a result of the triennial update completed in 2005 and is forecast to remain at that level in 2007 and 2008. The change in assessed value from the reappraisal scheduled in 2008 is undetermined and, therefore, a marginal increase of \$200 is being reflected for 2009 and 2010 since there was a similar increase when the triennial update was completed in 2005.

B. Intergovernmental Revenue

Intergovernmental revenues include local government monies, local government revenue assistance, and property tax allocations for rollback and homestead and tangible personal property. The local government and local government revenue assistance funds are distributed monthly by the State through the County auditor to the Village. The property tax allocations for rollbacks and homestead and tangible personal property are received from the State and are based on information provided by the county auditor.

Beginning in 2006, the State will reimburse the Village for lost revenue due to the phase out of tangible personal property tax. In the first five years, the Village will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. In the next seven years, the reimbursements are phased out. The reimbursement will be made for the 2005 tax collections (base year) amount of \$2,900, except that taxing authorities are only reimbursed for inventory property assessment percentage reductions beyond those already in place before the passage of HB 66. This means the Village is only reimbursed for the difference between prior law and its phase-outs and the phase-outs in HB 66.

Village of Burbank, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2006 through 2010

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs. Beginning in 2006, the State eliminated the ten percent rollback on commercial and industrial real property. This change is not expected to have a significant effect on property tax or intergovernmental revenue.

Section 503.12(B) of House Bill 66 establishes a Task Force to study potential sources of State funding for the Local Government and the Local Government Revenue Assistance programs that have the capacity for growth in funding levels and to provide stability in funding levels. In addition, the Task Force shall consider changes to the codified funding formula that reflects the reform to the Ohio tax code. By December 1, 2006, the Task Force is to submit a report to the Governor and to the General Assembly setting forth its recommendations for sources of funding for the Local Government and the Local Government Revenue Assistance programs together with suggested legislation to implement the recommendations. The forecast assumes the continuation of the Local Government and the Local Government Revenue Assistance programs at the same amount as received in 2005.

C. Interest

The forecast expects interest receipts to remain at the 2005 level based on the Village's continuing use of their interest-bearing checking account with Wayne Savings Community Bank.

D. Licenses, Permits and Fees

Licenses, permits and fees represent revenues received from zoning permits that were enacted in 2005. The forecast is based on an increase in collections as the zoning is enforced.

E. Miscellaneous

Miscellaneous revenue in 2005 was much higher than any other year due to the sale of the Village's police cruiser and police garage. The amount forecasted for 2006 includes a capital credit refund from the electric co-op. This revenue is expected to remain constant.

Note 6 – General Expenditure Assumptions

A. Personal Services

Personal services include the salaries and wages paid to the employees and elected officials of the Village. The Fiscal Officer and Law Director are paid monthly while Council and the Mayor are paid annually. Village Council, by ordinance, sets the salaries for the elected officials and employees.

The Village Council includes six elected members who meet monthly. Per Village ordinance, council members receive \$10 for each regular and special meeting attended. The Mayor, by Village ordinance, receives \$25 for each regular and special meeting attended.

Effective February 2006 the Fiscal Officer's monthly salary was reduced from \$500 to \$200 a month for a period of two years. It is anticipated that the salary will be increased to \$500 in 2008 and remain at that level for the remainder of the forecast period.

Village of Burbank, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2006 through 2010

Effective January 1, 2006, the Law Director is paid \$100 for each regular council meeting. In addition, he is paid at a rate of \$75 per hour for services outside of regular council meetings. Prior to 2006, legal services were on a contractual basis.

B. Fringe Benefits

Fringe benefits include employer contributions to the State pension systems, social security, workers' compensation, and Medicare.

All employees participate in the Ohio Public Employees Retirement System (OPERS). Elected officials may choose participation in OPERS or pay into social security. OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees were required to contribute 8.50 percent of their annual-covered wages and the Village was required to contribute 13.55 percent of annual-covered wages for years prior to 2006. In the years 2006 through 2008, both the employee and employer rates will increase annually. The employee share will be 9.00 percent in 2006, 9.50 percent in 2007 and 10.00 percent in both 2008 and 2009. The employer rate will be 13.7 percent in 2006, 13.85 percent in 2007 and 14.00 percent in both 2008 and 2009.

The Village also pays the employer contribution for social security of 6.2 percent of annual-covered wages for elected officials who have chosen this option and 1.45 percent for Medicare. All employees are covered under Workers' compensation for which the Village pays an annual premium based on the total wages paid for the year.

C. Contractual Services

Contractual services consist of utilities, liability insurance, computer and equipment maintenance costs and audit fees. The Village solicitor was paid as a contract employee through 2005. However, beginning in 2006, the solicitor will be considered an employee of the Village. The other contractual services expenditures are anticipated to increase slightly throughout the forecast period, except for audit costs which are expected to decrease over the forecast period.

D. Materials and Supplies

Materials and supplies expenditures include office supplies. Materials and supplies are anticipated to remain constant throughout the forecast period.

E. Capital Outlay

Capital outlay expenditures include renovations to the Village hall. In 2007, the Village anticipates updating the electric wiring and lights in the building and the addition of a lighted display outside. In 2008, the Village will have the roof repaired. In 2009 and 2010, the Village will add a bathroom to the Village hall and replace the furnace, respectively.

F. Miscellaneous

In 2005, miscellaneous expenditures include various expenditures to get their police cruiser ready for auction. No other items are anticipated during the forecast period.

Village of Burbank, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2006 through 2010

G. Debt Service

The Village has an outstanding water loan with the Ohio Water Development Authority (OWDA). The loan was due in full in 2001; however, the Village had not yet started the water project. OWDA agreed to a monthly payment of \$500 on the loan through February 2006. Beginning December 2006, the Village will pay \$6,200 semi-annually. The Village anticipates the general fund will make the debt service payments through 2007. In 2008, the Village anticipates either a new source of revenue to meet the debt service payments or the ability to combine this loan with the financing for the water line project. If the general fund continues to make the debt payments in 2008, the general fund balance will decrease by \$12,400 per year and result in a deficit in 2009.

H. Advances Out

Advances-out are payments to the Street Construction, Maintenance, and Repair and State Highway funds for money that was borrowed in past years. The Village has a repayment schedule for these advances which requires monthly payments of \$595 (\$7,140 per year) and \$120 (\$1,440 per year) to the Street Construction, Maintenance, and Repair and State Highway funds, respectively. The forecast reflects \$8,600 annually to repay both debt issues. In 2005, other advances from years before 2003 were repaid in the amount of \$700. The balances at December 31, 2005 are \$38,400 and \$5,500 due to the Street Construction and State Highway special revenue funds, respectively. The Street Construction, Maintenance, and Repair and State Highway funds will be completely repaid in 2011 and 2009, respectively.

I. Other Village Funds

The Village has a 3 mill levy for the operation and maintenance of a public park, playground and playfield. The levy expires in 2008. In past years, the voters have renewed existing levies and this levy has been renewed several times since it was originally passed in 1990 and the Village anticipates this levy to be renewed.

All the other funds of the Village are either grant supported or state-shared taxes which will be sufficient to keep the funds with positive fund balances during the forecast period.

J. Waterline Construction Project

The Village is currently exploring several alternatives for supplying water to its residents. No target date has been yet set for construction. If the project moves forward, the OWDA planning loan will be rolled into a construction loan. If the project does not proceed, the Village will have to seek other revenues to repay the loan. If the Village does go forward with the water project, the Village anticipates growth in the Village through new business.

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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
NOVEMBER 9, 2006**