



Mary Taylor, CPA  
Auditor of State

**Village of West Mansfield  
Logan County**

**Fiscal Emergency Analysis  
As of December 31, 2008, and May 31, 2009**

**Local Government Services**

Village of West Mansfield, Logan County

Fiscal Emergency Analysis

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# Mary Taylor, CPA Auditor of State

## **Declaration of Fiscal Emergency**

The Auditor of State performed a fiscal analysis of the Village of West Mansfield pursuant to Section 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the Village of West Mansfield as defined in Sections 118.03(A)(5) and (6) of the Ohio Revised Code.

Accordingly, this report is hereby submitted and filed with Dave Evans, Fiscal Officer of the Village of West Mansfield; Ed Evans, Mayor of the Village of West Mansfield; Jack Daly, President Pro Tempore of Council of the Village of West Mansfield; Kevin Boyce, Treasurer of State; Jennifer Brunner, Secretary of State; Ted Strickland, Governor; J. Pari Sabety, Director of the Office of Budget and Management; and the Logan County Budget Commission.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 13, 2009

Village of West Mansfield, Logan County

Fiscal Emergency Analysis

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**Introduction**

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, Mayor Ed Evans requested that a fiscal analysis be performed by the Auditor of State for the Village of West Mansfield, Logan County (the Village). The purpose of the analysis was to determine if the financial condition of the Village justifies the declaration of a fiscal watch or fiscal emergency.

A village is placed in fiscal emergency if any one of six conditions described in Section 118.03 of the Ohio Revised Code exists. The six conditions are: 1) default on any debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the village which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in village funds; and 6) a sizeable deficiency in the village's treasury when the balance is compared to the positive cash balances of the village's funds.

The existence of the conditions described under Conditions 4, 5, and 6 of this report at year end do not constitute a basis for the declaration of fiscal emergency if the Village clearly demonstrates to the satisfaction of the Auditor of State that the conditions no longer exist at the time of the determination.

This report identifies the procedures performed and the conclusions reached with respect to Conditions 1, 2, and 3 as of May 31, 2009, the date of the determination, and with respect to Conditions 4, 5, and 6 as of December 31, 2008, and May 31, 2009.

**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.

The Village's outstanding debt is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>
<u>Mortgage Revenue Bonds</u>			
Sewer System Mortgage Revenue Bonds	5.00%	02/26/97	\$1,669,000
<u>Loans Payable</u>			
OWDA - Water Project	2.00	02/24/05	1,618,424
OWDA - Sewer Project	5.86	10/30/97	141,548
OPWC - Water Treatment Plant Improvements	0.00	07/01/03	49,999

We obtained a list of outstanding debt from the 2007 audited financial statements and the amortization schedules to identify the last scheduled payments due before May 31, 2009, and reviewed the council minutes for any debt issued in 2008 and 2009.

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The debt issue, the payment due date, and the amount due and unpaid prior to the date of determination are presented below:

Debt Issue	Payment Date	Amount Due	Payments 30 Days Past Due at May 31, 2009
<u>Mortgage Revenue Bonds</u>			
Sewer System Mortgage Revenue Bonds	02/01/09	\$99,010	\$0
<u>Loans Payable</u>			
OWDA - Water Project	01/01/09	36,001	0
OWDA - Sewer Project	01/01/09	6,100	0
OPWC - Water Treatment Plant Improvements	01/01/09	1,250	0

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). No default on any debt obligation for more than thirty days existed at May 31, 2009.

**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, 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 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 reviewed the payroll records of the Village as of May 31, 2009. We reviewed the council minutes, ordinances, resolutions, and had a discussion with the Fiscal Officer to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the cash journal and cancelled checks to determine whether Village employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Ohio Revised Code.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of May 31, 2009. All employees have been paid in amounts and at the times required by Village ordinance.

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**Condition Three - Increase in Minimum 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, county, or 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.

We confirmed with the Logan 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 for 2008 or 2009 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Logan County Budget Commission indicated that the Budget Commission had not taken any action to increase the inside millage of the Village for 2008 or 2009.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of May 31, 2009. The Logan County Budget Commission has not taken any action to increase the inside millage of the Village by reducing another subdivision's inside millage.

**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 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 that 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.

We reviewed the accounts payable as of December 31, 2008, that were due 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, 2008, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties.

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Schedule I

All Funds Accounts Payable Over 30 Days Past Due  
Ohio Revised Code Section 118.03 (A)(4)  
As of December 31, 2008

Funds	Payables Over 30 Days Past Due	General Fund Balance Available	Payables in Excess of Available Balance
General	\$4,288	\$38,152	\$0

From 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, 2008. 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 2008, excluding non-recurring receipts, of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule II

All Funds Accounts Payable Over 30 Days Past Due  
Ohio Revised Code Section 118.03 (A)(4)  
As of December 31, 2008

Funds	Payables Over 30 Days Past Due	Fund Balance Available	Payables in Excess of Available Balance	One-Sixth of the Revenues Lawfully Available	Accounts Payable in Excess of Available Revenues
General	\$4,288	\$38,152	\$0	\$24,584	\$0
Street Maintenance	904	0	(904)	5,423	0
State Highway	603	0	(603)	438	(165)
Water Operating	1,848	0	(1,848)	18,353	0
Sewer Operating	792	0	(792)	10,796	0
Totals	\$8,435	\$38,152	(\$4,147)	\$59,594	(\$165)

Section 118.03(B) of the Ohio Revised Code provides in part:

Any year end condition described in division (A)(4) of this section 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, 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, or township at the time of such demonstration that are, in the case of division (A)(4) of this section, held for the general fund or those respective special funds that are lawfully available to pay such accounts.

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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 May 31, 2009. There were no payables at least sixty days past due as of May 31, 2009.

Conclusion: A fiscal emergency condition does not exist as of May 31, 2009, under Section 118.03(A)(4) of the Ohio Revised Code. Accounts payable from all funds which were at least sixty days past due at May 31, 2009, did not exceed available fund balances.

**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.

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2008, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule III

Deficit Fund Balances  
Ohio Revised Code Section 118.03(A)(5)  
As of December 31, 2008

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth General Fund Budget/Fund Receipts	Unprovided Portion of Aggregate Deficit
Street Maintenance	(\$21,659)	(\$2,346)	(\$24,005)	\$5,423	(\$18,582)
State Highway	(24,839)	(1,223)	(26,062)	438	(25,624)
Capital Project Street Repair	(19,493)	0	(19,493)	5,136	(14,357)
Water Operating	(101,823)	(5,151)	(106,974)	18,353	(88,621)
Sewer Operating	(29,046)	(2,490)	(31,536)	10,796	(20,740)
Subtotal	<u>(\$196,860)</u>	<u>(\$11,210)</u>	<u>(\$208,070)</u>	<u>\$40,146</u>	<u>(167,924)</u>
One-Sixth of General Fund Budget					19,287
Funds Available for Transfer					<u>34,117</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$114,520)</u>

Section 118.03(B) of the Ohio Revised Code provides in part:

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Any year end condition described in division (A)(5) of this section 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 the positive balances 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, or township at the time of such demonstration that are, in the case of division (A)(5) of this section, held for the general fund or any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit provided that changes from the year end condition resulting from transfers not authorized pursuant to Chapter 5705 of the Revised Code. Borrowings or advances between funds shall not be taken into account to demonstrate improvement in any fiscal emergency condition.

We computed the adjusted aggregate sum of all deficit funds as of May 31, 2009, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule IV

Deficit Fund Balances  
Ohio Revised Code Section 118.03(B)  
As of May 31, 2009

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth General Fund Budget/Fund Receipts	Unprovided Portion of Aggregate Deficit
Street Construction	(\$28,899)	\$0	(\$28,899)	\$4,700	(\$24,199)
State Highway	(31,363)	0	(31,363)	380	(30,983)
Capital Project Street Repair	(1,236)	0	(1,236)	5,000	0
Water Operating	(127,931)	0	(127,931)	13,000	(114,931)
Sewer Operating	(36,910)	0	(36,910)	8,975	(27,935)
Subtotal	<u>(\$226,339)</u>	<u>\$0</u>	<u>(\$226,339)</u>	<u>\$32,055</u>	<u>(198,048)</u>
One-Sixth of General Fund Budget					19,667
Funds Available for Transfer					44,609
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$133,772)</u>

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Conclusion: Schedules III and IV indicate that a fiscal emergency condition exists under Section 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as of December 31, 2008, and May 31, 2009, respectively. The total unprovided portion of the aggregate deficit funds as of December 31, 2008, and May 31, 2009, is \$114,520 and \$133,772, respectively.

**Condition Six - Treasury Deficiency**

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, 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.

Section 118.03(B) of the Ohio Revised Code provides in part:

Any year end condition described in division (A)(6) of this section 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 the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(6) of this section, held to meet such positive balances.

We verified the Village's reconciled bank balance to its statement of cash position for all funds as of December 31, 2008, and as of May 31, 2009, which included subtracting reconciling factors to arrive at a treasury balance. We then determined the aggregate sum of all positive fund cash 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 amount received into the treasury during 2008 and the estimated amount to be received into the treasury during 2009 to determine if a treasury deficiency exists.

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Schedule V

Treasury Balance  
Ohio Revised Code Section 118.03(A)(6) and 118.03(B)  
as of December 31, 2008, and May 31, 2009

	Amounts at December 31, 2008	Amounts at May 31, 2009
Bank Cash Balance		
The Union Bank - General Checking	\$322,879	\$251,463
The Union Bank - Water Plant Renovation	202,371	202,371
Certificate of Deposit	30,000	30,000
Total Bank Cash Balance	<u>552,250</u>	<u>483,834</u>
Less Reconciling Factors for		
Outstanding Checks	(30,867)	(10,427)
Other Adjustments	1,602	1,602
Total Reconciling Factors	<u>29,265</u>	<u>(8,825)</u>
Total Treasury Balance	<u>525,985</u>	<u>475,009</u>
Positive Fund Balances		
General	38,152	44,609
Parks and Recreation	1,250	1,250
OSR Street Lights	78,240	87,112
OSR Police	53,530	57,014
Debt Service	756	756
Capital Fire/Tower	77,446	88,441
Capital Water Plant	140,218	146,848
Debt Service Water Plant Renovation	84,705	116,648
Debt Service Bond Debt	77,382	17,897
Debt Service OWDA Sewer Loan	11,386	10,101
Debt Service OWDA Water Loan	60,721	27,813
Enterprise Reserve	86,139	90,264
Enterprise Reserve Water	120	120
Enterprise Deposit	12,800	12,475
Total Positive Fund Balances	<u>722,845</u>	<u>701,348</u>
Treasury Deficit	(196,860)	(226,339)
One-Sixth of Treasury Receipts	<u>120,209</u>	<u>93,480</u>
Treasury Deficiency in Excess of One-Sixth of Treasury Receipts	<u>(\$76,651)</u>	<u>(\$132,859)</u>

Conclusion: Schedule V indicates that a fiscal emergency condition exists under Section 118.03(A)(6) and 118.03(B) of the Ohio Revised Code. The treasury deficit exceeded one-sixth of the treasury receipts at December 31, 2008, and May 31, 2009, by \$76,651 and \$132,859, respectively.

Village of West Mansfield, Logan County

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**Summary**

A fiscal emergency is defined as the existence of at least one of the conditions described in Section 118.03 of the Ohio Revised Code. This analysis indicates that a fiscal emergency exists at the Village of West Mansfield based on the existence of the conditions defined in Sections 118.03(A)(5) and 118.03(A)(6) of the Ohio Revised Code as of December 31, 2008, and May 31, 2009, as presented in Schedules III, IV, and V 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.



Mary Taylor, CPA  
Auditor of State

VILLAGE OF WEST MANSFIELD

LOGAN 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  
AUGUST 13, 2009