



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

Village of Piketon
Pike County

Fiscal Watch and Emergency Analysis

Village of Piketon

Fiscal Watch and Emergency Analysis

Table of Contents

	Page
Declaration of Fiscal Watch	1
Introduction	2
Condition 1 - Default on Any Debt Obligation	2
Condition 2 - Payment of All Payroll	3
Condition 3 - Increase in Minimum Levy	3
Condition 4 - Past Due Accounts Payable from the General Fund and All Funds	4
Condition 5 - Deficit Fund Balances	6
Condition 6 - Treasury Deficiency	7
Summary	9



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Declaration of Fiscal Watch

The Auditor of State performed a fiscal analysis of the Village of Piketon pursuant to Sections 118.022 and 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal watch exists at the Village of Piketon as defined by Section 118.022(A)(3) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted and filed with Carl Irvine, Mayor of the Village of Piketon; Joseph T. Deters, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Bob Taft III, Governor; Thomas W. Johnson, Director of the Office of Budget Management; Timothy Thompson, President Pro Tempore of Council; Beverly Legg, Village Clerk-Treasurer, and the Pike County Budget Commission.

JIM PETRO
Auditor of State

December 28, 2000

Village of Piketon, Pike County

Fiscal Watch and Emergency Analysis

Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, the Auditor of State, as requested by Mayor Carl Irvine of the Village of Piketon on May 3, 2000, performed a fiscal analysis for the Village of Piketon, Pike County.

This report sets forth an analysis of fiscal emergency as of December 31, 1999, and November 30, 2000, the date of our determination. For a fiscal emergency to be declared any one of six conditions must exist. Three of these conditions also relate the fiscal watch. The difference is the severity of the conditions.

The guidelines for performing such an analysis are set forth in Sections 118.022 and 118.03 of the Ohio Revised Code. The specific procedures performed for each of the fiscal watch and/or fiscal emergency conditions identified in Section 118.022 and 118.03, respectively, of the Ohio Revised Code are 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.”

We reviewed the outstanding indebtedness of the Village as of November 30, 2000, which consisted of four debt obligations. The first obligation is a promissory note for a tractor with the Kabota Credit Corporation in the amount of \$7,650. The loan period is 48 months and the monthly payment is \$159. The note was issued on June 8, 1999. The second obligation is a loan with the First National Bank of Waverly for police cruisers in the amount of \$41,858. The loan period is 36 months and the monthly payment is \$1,240. The date of the loan agreement was September 29, 1999. The third obligation is a lease agreement with Star Bank for a truck in the amount of \$11,040. The loan period is 60 months and the monthly payment is \$184. The date of the lease agreement was April 4, 1997. The fourth obligation is a loan from the Ohio Water Development Authority in the amount of \$1,308,324. The loan period is 25 years and the payment amount is \$61,648 to be paid in semi-annual installments. The date of the loan agreement was February 23, 1989. We then verified that all payments were current as of November 30, 2000.

Conclusion: A fiscal emergency condition does not exist under Revised Code Section 118.03(A)(1). No default on any debt obligation for more than thirty days existed at November 30, 2000.

Village of Piketon, Pike County

Fiscal Watch and Emergency Analysis

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 obtained an understanding of the payroll process through various discussions with the Village Clerk. We obtained payroll reports, a list of employees, pay rate legislation and bank statements for analysis. We then verified that payroll checks were issued to employees for the pay period including November 30, 2000 by reviewing payroll and accounting reports. This procedure was performed to ascertain 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 November 30, 2000. All employees have been paid in amounts and at the times required by Village ordinance.

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.”

Village of Piketon, Pike County

Fiscal Watch and Emergency Analysis

We confirmed with the Pike 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 Piketon, for the current or next fiscal year which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Pike County Budget Commission indicated that the commission had not taken any action to increase the inside millage of the Village of Piketon and, therefore, no other subdivision's millage was reduced to increase the inside millage of the Village of Piketon.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code. The Pike County Budget Commission has not taken any action to increase the inside millage of the Village reducing another subdivision's 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 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, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days 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. Accounts due and payable shall not include any account or portion thereof, that is being contested in good faith."

We prepared a schedule of accounts payable as of December 31, 1999, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 1999, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. It was not necessary to proceed further with this analysis since there was a sufficient balance in the general fund to pay all existing payables over thirty days past due.

Village of Piketon, Pike County

Fiscal Watch and Emergency Analysis

Schedule I

General Fund Accounts Payable Over Thirty Days Past Due

Revised Code Sections 118.03(A)(4)

As of December 31, 1999

	Payables Over 30 Days Past Due	General Fund Balance Available	Payables In Excess Of Available Balance
General Fund	\$3,193	\$101,758	\$0

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

Schedule II

Accounts Payable from All Funds Over 30 Days Past Due

Revised Code Section 118.03(A)(4)

As of December 31, 1999

	Payables Over 30 Days Past Due	Fund Balance Available	Payables In Excess Of Available Balance	One-sixth Of Available Revenues	Accounts Payable Surplus (Deficiency)
General Fund	\$3,193	\$101,758	\$98,565	\$37,693	\$60,872
Police Fund	1,432	0	(1,432)	1,105	(327)
Total Amount of Surplus					\$60,545

Conclusion: Schedules I and II indicate that a fiscal emergency condition does not exist under Section 118.03(A)(4). The general fund and police fund accounts payable which were at least thirty days past due at the end of the year less the year end balances in the general fund and police fund did not exceed one-sixth of the general fund and police fund available revenues as of December 31, 1999.

Village of Piketon, Pike County

Fiscal Watch and Emergency Analysis

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, 1999, 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 revenues lawfully available 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
Revised Code Section 118.03(A)(5)
As of December 31, 1999

	Cash Fund Balance	Accounts Payable and Encumbrances	Adjusted Aggregate Sum Of Funds With Deficit Balances	Less One-Sixth of General Fund Budget/Revenues Lawfully Available	Unprovided Portion of Aggregate Deficit
Street Fund	(\$51,412)	\$1,939	(\$53,351)	\$9,553	(\$43,798)
Litter Fund	(331)	0	(331)	0	(331)
Water Fund	(69,923)	7,099	(77,022)	14,174	(62,848)
Police Fund	(92,570)	9,109	(101,679)	23,609	(78,070)
Subtotal	<u>(\$214,236)</u>	<u>\$18,147</u>	<u>(\$232,383)</u>	<u>\$47,336</u>	<u>(185,047)</u>
Funds Available For Transfer:					
General Fund					94,613
Street Lighting					57,938
Revolving Loan					<u>101,671</u>
Total Funds Available For Transfer					<u>295,940</u>
Excess of Funds Available for Transfer Over Aggregate Deficits					<u><u>\$180,184</u></u>

Village of Piketon, Pike County

Fiscal Watch and Emergency Analysis

Conclusion: Schedule III indicates that a fiscal emergency condition does not exist under Section 118.03(A)(5) of the Ohio Revised Code. The unprovided portion of the aggregate deficit fund balances did not exceed the amount available for transfer from the general, street lighting and revolving loan funds.

Condition Six - Treasury Deficiency

Section 1180.03(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 balances to its cash book balances as of December 31, 1999, and November 30, 2000, which included subtracting outstanding checks to arrive at a treasury balance. We then determined the aggregate sum of the positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. We then subtracted from the treasury deficit one-sixth of the total amount received into the treasury during 1999 and estimated to be received into the treasury for 2000, to determine if a treasury deficiency exists. We also determined whether the treasury deficiency exceeded one-twelfth of the treasury receipts as of December 31, 1999, which is the criteria for the existence of a fiscal watch.

Village of Piketon, Pike County

Fiscal Watch and Emergency Analysis

Schedule IV

Treasury Balances
Revised Code Section 118.03(A)(6) and 118.022(A)(3)
As of December 31, 1999 and November 30, 2000

	Fiscal Emergency		Fiscal Watch
	Amounts	Amounts	Amounts
	December 31, 1999	November 30, 2000	December 31, 1999
Bank Cash Balance	\$222,600	\$128,859	\$222,600
Adjustments:			
Outstanding Checks	(6,899)	(70,902)	(6,899)
Total Treasury Balance	215,701	57,957	215,701
Less: Positive Fund Balances			
General Fund	101,758	61,818	101,758
Street Light Fund	59,170	9,803	59,170
Street Fund	0	10,249	0
Highway Fund	3,717	1,866	3,717
Motor Vehicle Fund	9,026	12,036	9,026
Sewer Fund	66,111	76,910	66,111
Guaranteed Deposits Fund	4,869	4,839	4,869
Revolving Loan Fund	143,389	66,287	143,389
Drug Fund	862	1,442	862
CDBG Fund	41,035	0	41,035
Total Positive Cash Fund Balances	429,937	245,250	426,744
Treasury Balance Less Positive Fund Balances	(214,236)	(187,293)	(211,043)
One-sixth/One-twelfth Treasury Receipts	154,962	193,303	77,481
Treasury (Deficiency) Surplus	(\$59,274)	\$6,010	(\$133,562)

Conclusion: Schedule IV indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of November 30, 1999; however, a fiscal watch condition does exist under Section 118.022(A)(3) of the Ohio Revised Code as of December 31, 1999. The treasury balance less the positive cash fund balances did not exceed one-sixth of the treasury receipts as of December 31, 1999, and November 30, 2000, the criteria for the existence of a fiscal emergency. The treasury balance less the positive fund cash balances did, however, exceed one-twelfth of the treasury receipts as of December 31, 1999, which is the criteria for the existence of fiscal watch.

Village of Piketon, Pike County

Fiscal Watch and Emergency Analysis

Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency does not exist at the Village of Piketon; however, a fiscal watch does exist at the Village of Piketon as defined in Section 118.022(A)(3) of the Ohio Revised Code and presented in Schedule IV above.

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