



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

Village of Harveysburg

Warren County

Fiscal Emergency Analysis

Local Government Services Division
Auditor of State's Office

Village of Harveysburg
Warren County
Fiscal Emergency Analysis

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DECLARATION OF FISCAL EMERGENCY

The Auditor of State performed a fiscal analysis of the Village of Harveysburg 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 Harveysburg as defined by Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted and filed with Raymond Roberts, Mayor of the Village of Harveysburg; Vincent Bees, President of Council for the Village of Harveysburg; Bob Taft, Governor; J. Kenneth Blackwell, Secretary of State; Joseph T. Deters, Treasurer of State; Thomas W. Johnson, Director of the Office of Budget and Management and the Warren County Budget Commission.

JIM PETRO
Auditor of State

September 20, 2001

Village of Harveysburg, Warren County

Fiscal Emergency Analysis

Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, the Auditor of State, as requested by the Mayor of the Village of Harveysburg, performed a fiscal emergency review for the Village of Harveysburg, Warren County. The purpose of the analysis was to determine if the financial condition of the Village justifies the declaration of a fiscal emergency.

This reports sets forth an analysis of fiscal emergency as of December 31, 2000, and July 31, 2001, the date of our determination. For a fiscal emergency to be declared any one of six conditions must exist.

The guidelines for performing such an analysis are set forth in Section 118.03 of the Ohio Revised Code. The specific procedures performed for each of the conditions identified in Section 118.03 of the Ohio Revised Code are presented below.

Condition One - Default on Any 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 July 31, 2001, which consisted of two debt obligations. One is a renewal of the Motor Vehicle Acquisition Bond Anticipation Notes for \$9,640.98. This debt was issued for the purchase of a police cruiser and a truck for the street department. The original debt was issued on May 21, 1996, for \$26,057; \$14,752 was incurred for the street truck and \$11,305 incurred for the police cruiser. This year’s payment of \$2,600, which includes interest, was paid on May 29, 2001.

The other debt obligation is a contractual agreement, dated July 26, 2001, between the Village and the Warren County Commissioners for the payment of \$68,368. The Village transferred the operation of its water enterprise funds to the Warren County Water Department. The agreement states that an annual payment of \$8,000 is to be paid to Warren County until the total amount is paid in full. The first payment is due December 31, 2001.

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 July 31, 2001.

Village of Harveysburg, Warren County

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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 and Police Chief. We requested the payroll records of the Village and reviewed the minutes, ordinances, resolutions and bank statements to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We then verified that payroll checks were issued to employees for the pay period including July 31, 2001 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 July 31, 2001. 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 Harveysburg, Warren County

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

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code. The Warren County Budget Commission has not taken any action to increase the inside millage of the Village, thus 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, 2000, 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, 2000, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. 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 Harveysburg, Warren County

Fiscal Emergency Analysis

Schedule I

General Fund Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2000

Table with 4 columns: General Fund, Payables Over 30 Days Past Due, Less General Fund Balance Available, and General Fund Balance in Excess of Accounts Payable. Values: \$370, \$4,077, \$3,707.

There were no payables over 30 days past due in any other fund.

Conclusion: Schedule I indicates that a fiscal emergency condition does not exist under Section 118.03(A)(4). The general 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 did not exceed one-sixth of the general fund available revenues as of December 31, 2000.

Condition Five - Deficit Fund Balances

Section 118.03 (A)(5) of the Ohio Revised Code defines a fiscal emergency 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 sections 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.”

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

“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 deficit amounts of deficit funds, and positive balances as 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.”

Village of Harveysburg, Warren County

Fiscal Emergency Analysis

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2000, and July 31, 2001, 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 II

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

	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum Of Funds with Deficit Balances	Less One-sixth of Budget and Revenues Lawfully Available	Unprovided Portion of Aggregate Deficit
General Fund	\$4,077	\$6,624	(\$2,547)	\$18,799	\$16,252
Street Fund	(36,822)	1,488	(38,310)	1,852	(36,458)
Capital Improvement Fund	(41,848)	0	(41,848)	5,546	(36,302)
	<u>(\$74,593)</u>	<u>\$8,112</u>	<u>(\$82,705)</u>	<u>\$26,197</u>	<u>(\$56,508)</u>
Funds Available For Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$56,508)</u>

Schedule III

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5) and (B)
As of July 31, 2001

	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum Of Funds with Deficit Balances	Less One-sixth of Budget and Revenues Lawfully Available	Unprovided Portion of Aggregate Deficit
General Fund	(\$17,830)	\$2,825	(\$20,655)	\$19,914	(\$741)
Street Fund	(42,361)	532	(42,893)	1,867	(41,026)
Capital Improvement Fund	(41,872)	0	(41,872)	9	(41,863)
	<u>(\$102,063)</u>	<u>\$3,357</u>	<u>(\$105,420)</u>	<u>\$21,790</u>	<u>(\$83,630)</u>
Funds Available For Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$83,630)</u>

Village of Harveysburg, Warren County

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Conclusion: Schedule II and III 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, 2000, and July 31, 2001. The total unprovided portion of the aggregate deficit funds was \$56,508 and \$83,630, as of December 31, 2000, and July 31, 2001, 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 balances to its cash book balance as of December 31, 2000, and July 31, 2001, which included subtracting outstanding checks and making the necessary adjustments, to arrive at a "net" 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 2000 along with actual and estimated amounts to be received into the treasury for 2001, to determine whether the treasury deficiency exceeded one-sixth of the treasury receipts as of December 31, 2000, and as of July 31, 2001, which is the criteria for the existence of a fiscal emergency.

Village of Harveysburg, Warren County

Fiscal Emergency Analysis

Schedule IV

Treasury Balances		
Revised Code Section 118.03(A)(6) and (B)		
As of December 31, 2000 and July 31, 2001		
	December 31, 2000	July 31, 2001
Bank Cash Balances	\$30,503	\$8,283
Adjustments:		
Outstanding Checks	(2,979)	(\$1,911)
Deposit in Transit	402	0
Total Treasury Balance	27,926	6,372
Less: Positive Fund Balances		
General Fund	4,077	0
State Highway Fund	4,999	5,609
Police Levy Fund	8,863	12,092
Permissive Tax Fund	16,347	18,448
Law Enforcement and Education Fund	3,585	3,561
Water Fund	13,977	13,977
Water Bonds Fund	7,146	7,146
Water Reserve Fund	47,602	47,602
Total Positive Cash Fund Balances	106,596	108,435
Treasury Balance Less Positive Fund Balances	(78,670)	(102,063)
One-sixth Treasury Receipts	37,053	28,666
Treasury Deficiency	(\$41,617)	(\$73,397)

Conclusion: Schedule IV indicates that a fiscal emergency condition does exist under Section 118.03(A)(6) and 118.03 (B) of the Ohio Revised Code as of December 31, 2000, and as of July 31, 2001. The treasury balance less the positive cash fund balances exceeded one-sixth of the treasury receipts as of December 31, 2000, and July 31, 2001, the criteria for the existence of a fiscal emergency.

Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency does exist at the Village of Harveysburg as defined in Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B) of the Ohio Revised Code and presented in Schedules II, III and 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.



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VILLAGE OF HARVEYSBURG

WARREN 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
SEPTEMBER 20, 2001**