



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

**Village of Montezuma**  
Mercer County

**Fiscal Emergency Analysis**  
As of December 31, 1999 and October 31, 2000

Village of Montezuma, Mercer County  
Fiscal Emergency Analysis

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### CERTIFICATION

The Auditor of State performed a fiscal emergency analysis of the Village of Montezuma, pursuant to Section 118.04, Revised Code. This analysis indicates and it is hereby certified that a fiscal emergency does not exist at the Village of Montezuma as defined by section 118.03 of the Revised Code.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted and filed with Charlotte Garman, Mayor of the Village of Montezuma; Fred Engelhardt, President of Council; Karen Puthoff, Clerk-Treasurer; Joseph T. Deters, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Robert Taft, Governor; Thomas W. Johnson, Director of the Office of Budget and Management and Mark R. Giesige of the Mercer County Budget Commission.

JIM PETRO  
Auditor of State

February 9, 2001

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**Background Information**

On April 24, 2000, the Auditor of State declared the Village of Montezuma in fiscal watch due to the existence of an aggregate deficit in the general fund that exceeded one-twelfth of the general fund budget by \$3,223. While the aggregate deficit in the general fund also met the criteria for a fiscal emergency, the financial records did not allow for a determination of the same conditions at least 120 days after December 31, 1999. A fiscal emergency analysis was therefore postponed until such time as village records could be reconstructed for review.

The financial information presented in this report for the year ended December 31, 1999, is based on the audit of the Village for the year then ended. The fund balances presented in this report differ from the amounts presented in the Fiscal Watch Review issue on April 24, 2000 as a result of that audit.

**Determination of Fiscal Emergency Conditions**

As provided by Section 118.04(A) of the Ohio Revised Code, the Auditor of State performed a fiscal emergency analysis for the Village of Montezuma, Mercer County.

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

**Procedure A - Default on Any Debt Obligation**

Section 118.03(A)(1), 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 October 31, 2000, which showed no debt in existence.

**Conclusion:** A fiscal emergency condition does not exist under Section 118.03(A)(1) as of October 31, 2000.

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**Procedure B - Payment of All Payroll**

Section 118.03(A)(1), 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 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. The failure of one county office, board, or commission to meet payroll does not in itself constitute a fiscal emergency.”

We requested the payroll records of the Village as of October 31, 2000. We reviewed the Council minutes, ordinances and resolutions to determine the employees of the Village, pay rates, frequency of payrolls, and whether any extensions for the payment of payrolls exist. We also reviewed the cash journal to determine whether payrolls 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 October 31, 2000.

**Procedure C - Increase in Minimum Levy**

Section 118.03(A)(3), 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 Mercer 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 Montezuma, 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.

**Conclusion:** A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code. The confirmation received from the Mercer County Budget Commission indicated that the commission had not taken any action to increase the inside millage of the Village of Montezuma for the current or next fiscal year.

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For Procedures D, E, and F, the determination of whether a fiscal emergency condition exists is based on an analysis as of the prior fiscal year end and as of October 31, 2000, the date of our determination.

**Procedure D - Past Due Accounts Payable from the General Fund and All Funds**

Section 118.03(A)(4) of the 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."

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

Schedule I

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

	Payables Over 30 Days Past Due	Less General Fund Balance Available	Accounts Payable In Excess of Balance Available	Less 1/6th of the General Fund Budget	Accounts Payable Surplus
General Fund	\$226	\$0	\$226	\$4,070	\$3,844

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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, 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  
Ohio Revised Code Section 118.03(A)(4)  
As of December 31, 1999

	Payables Over 30 Days Past Due (1)	Less Fund Balance Available	Accounts Payable in Excess of Balance Available	Less 1/6 of the Available Revenue	Accounts Payable Surplus
General Fund	\$226	\$0	\$226	\$3,985	\$3,759

(1) As of December 31, 1999, the general fund is the only fund with past due accounts payable over 30 days.

**Conclusions:** Schedules I and II indicate that as of December 31, 2000, a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. An analysis as of the date of determination was not completed because a fiscal emergency condition did not exist at year-end.

**Procedure E - Deficit Fund Balances**

Section 118.03(A)(5) of the 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 deficits, 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 for 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 of those deficit funds. After computing the unprovided portion of the aggregate deficit, we subtracted funds that may be transferred, as provided in Section 5705.14 of the Revised Code, to meet such deficits.

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Schedule III

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

	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Funds With Deficit Balances	Less 1/6th General Fund Budget and Revenues Lawfully Available	Unprovided Portion of Aggregate (Deficit)/ Surplus
General Fund	(\$3,386)	\$226	(\$3,612)	\$4,070	\$458
<u>Special Revenue Funds</u>					
Street Maintenance and Repair Fund	(1,607)	400	(2,007)	902	(1,105)
State Highway Fund	1,668	0	0	0	0
Permissive Motor Vehicle Fund	5,380	0	0	0	0
Subtotal	<u>\$2,055</u>	<u>\$626</u>	<u>(\$5,619)</u>	<u>\$4,972</u>	<u>(647)</u>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u><u>(\$647)</u></u>

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 all deficit amounts of deficit funds as at the time of such demonstration, rather than at the end of the fiscal year.



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Schedule IV

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

	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Funds With Deficit Balances	Less 1/6 Revenues Lawfully Available	Unprovided Portion of Aggregate (Deficit)/ Surplus
General Fund	*(\$3,135)	\$443	(\$3,578)	\$4,500	\$922
<u>Special Revenue Funds</u>					
Street Maintenance and Repair Fund	716	0	0	0	0
State Highway Fund	1,911	0	0	0	0
Permissive Motor Vehicle Fund	*5,887	0	0	0	0
Subtotal	\$5,379	\$443	(\$3,578)	\$4,500	
Total Surplus					\$922

\*Net of advance from Permissive Motor Vehicle Fund in the amount \$4,900.

**Conclusion:** Schedules III and IV indicate that a fiscal emergency does not exist under Ohio Revised Code Section 118.03(A)(5) as of October 31, 2000. While Schedule III indicates the general fund met the criteria for a fiscal emergency, the same criterion is not met at October 31, 2000, as presented in Schedule IV which is necessary for a fiscal emergency to exist.

**Procedure F - Treasury Deficiency**

Section 118.03(A)(6) of the 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 deficit exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year."

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

Treasury Balances		Schedule V
Ohio Revised Code Section 118.03(A)(5)		
As of December 31, 1999, and October 31, 2000		
	Amounts December 31, 1999	Amounts October 31, 2000
	<u>          </u>	<u>          </u>
Bank Cash Balance	\$2,750	\$6,048
Adjustments for:		
Outstanding Checks	(695)	(669)
Total Treasury Balance	<u>\$2,055</u>	<u>\$5,379</u>
Positive Fund Balances:		
Special Revenue Funds:		
Street Maintenance and Repair Fund	0	716
State Highway Fund	1,668	1,911
Permissive Motor Vehicle Fund	5,380	5,887
Total Positive Fund Balances:	<u>7,048</u>	<u>8,514</u>
Treasury Balance Less Positive Fund Balances	(4,993)	(3,135)
1/6th Treasury Receipts	<u>5,400</u>	<u>5,883</u>
Treasury Surplus	<u><u>\$407</u></u>	<u><u>\$2,748</u></u>

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Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 1999 and October 31, 2000. The treasury balance less the positive fund balances exceeded one-sixth of the treasury receipts as of December 31, 1999 and October 31, 2000.

**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 Montezuma.

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.