



**Auditor of State  
Betty Montgomery**

**Village of Woodstock  
Champaign County, Ohio**

**Fiscal Emergency Analysis  
As of December 31, 2005, and May 31, 2006**

**Local Government Services**

Village of Woodstock  
Fiscal Emergency Analysis

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**Declaration of Fiscal Emergency**

The Auditor of State performed a fiscal analysis of the Village of Woodstock 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 Woodstock as defined in Section 118.03(A)(5) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Annette Rittenhouse, Fiscal Officer of the Village of Woodstock; Mike Royster, Mayor of the Village of Woodstock; Jackie Hayes, President Pro Tempore of Council for the Village of Woodstock; 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 the Champaign County Budget Commission.

*Betty Montgomery*

Betty Montgomery  
Auditor of State

July 20, 2006

Village of Woodstock, Champaign 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 Mike Royster requested that a fiscal analysis be performed by the Auditor of State for the Village of Woodstock, Champaign 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 a 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 year end conditions described under Conditions 4, 5, and 6, of this report shall not constitute a fiscal emergency if the Village clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination 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 each condition as of December 31, 2005, and May 31, 2006, the date of determination.

**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.

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issued Date</u>	<u>Issued Amount</u>
<u>Loans Payable</u>			
OWDA Sewer Plant Expansion	4.12%	1/01/99	\$372,005
OPWC Sewer Collection, Treatment, and Disposal	0.00	1/15/97	552,618

We obtained a list of outstanding debt from the 2002 audited financial statements, the authorizing legislation, and the amortization schedules to identify the last scheduled payments due before December 31, 2005, and reviewed the council minutes for debt issued since 2002. Payments for 2003, 2004, and 2005 were traced from the expenditure ledger to the checks issued to the vendors and the bank statement to determine if the Village was meeting its debt obligations.

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The debt issues, the payment dates, and the amounts due and paid prior to the date of determination are presented below:

Debt Issue	Payment Date	Amount Due	Payments 30 Days Past Due at May 31, 2006
<u>Loans Payable</u>			
OWDA Sewer Plant Expansion	January 1, 2006	\$13,742	0
OPWC Sewer Collection, Treatment, and Disposal	January 1, 2006	13,815	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, 2006.

**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, 2006. 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 payroll 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, 2006. 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.

We confirmed with the Champaign 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 2005 or 2006 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Champaign County Budget Commission indicated that the Budget Commission had not taken any action to increase the inside millage of the Village for 2005 or 2006.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of May 31, 2006. The Champaign 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 had 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, 2005, for all funds that were 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 benefits payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. There were no accounts payable due from the general fund or any special funds which were at least thirty days past due at the end of the year.

**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.

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We computed the adjusted aggregate sum of all deficit funds at December 31, 2005, 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 I

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

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
General	(\$5,861)	\$0	(\$5,861)	\$5,379	(\$482)
Park	(9,086)	0	(9,086)	0	(9,086)
Subtotal	<u>(\$14,947)</u>	<u>\$0</u>	<u>(\$14,947)</u>	<u>\$5,379</u>	<u>(9,568)</u>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$9,568)</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 the positive balances at the time of such demonstration, rather than at the end of the fiscal year.

We computed the adjusted aggregate sum of all deficit funds at May 31, 2006, 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.

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Schedule II

Deficit Fund Balances  
Ohio Revised Code Section 118.03 (B)  
As of May 31, 2006

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
General	(\$5,493)	\$0	(\$5,493)	\$5,764	0
Park	(9,086)	0	(9,086)	0	9,086
Sewer Operating	(1,190)	0	(1,190)	3,727	0
Subtotal	<u>(\$15,769)</u>	<u>\$0</u>	<u>(\$15,769)</u>	<u>\$9,491</u>	<u>(9,086)</u>
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$9,086)</u>

**Conclusion:** Schedules I and II 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, 2005, and May 31, 2006, respectively. The total unprovided portion of the aggregate deficit funds as of December 31, 2005, and May 31, 2006, are \$9,568 and \$9,086, 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.



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We verified the Village's reconciled bank balance to its statement of cash position for all funds as of December 31, 2005, and as of May 31, 2006, 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 2005 and the estimated amount to be received into the treasury during 2006 to determine if a treasury deficiency exists.

Schedule III

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

	<u>Amounts at December 31, 2005</u>
Bank Cash Balance	
Citizens National - General Checking	\$38,873
Champaign Bank	37,280
Citizens National - Escrow	19,835
Citizens National	8
Less Reconciling Factors For	
Deposit in Transit	70
Outstanding Checks	(523)
Other Adjustments	<u>631</u>
Total Treasury Balance	<u>96,174</u>
Positive Fund Balances	
Street Maintenance	8,663
State Highway	807
State Permissive	23,780
Loan Repayment	24,580
Permanent Improvement	23,862
Sewer	10,599
Escrow	<u>18,830</u>
Total Positive Fund Balances	<u>111,121</u>
Treasury Deficit	(14,947)
One-Sixth of Treasury Receipts	<u>22,363</u>
Treasury Deficiency in Excess of One-Sixth of Treasury Receipts	<u><u>\$7,416</u></u>

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2005. The treasury balance less the positive fund cash balances as of December 31, 2005, did not exceed one-sixth of the treasury receipts for the year.

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**Summary**

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency exists at the Village of Woodstock as defined in Section 118.03 (A)(5) of the Ohio Revised Code as presented in Schedules I and II above as of December 31, 2005, and May 31, 2006.

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.



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF WOODSTOCK**

**CHAMPAIGN 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  
JULY 20, 2006**