



Mary Taylor, CPA
Auditor of State

**Village of New Bavaria
Henry County**

**Fiscal Emergency Analysis
As of December 31, 2009, and January 31, 2010**

Local Government Services

Village of New Bavaria, Henry 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 New Bavaria 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 New Bavaria as defined in Sections 118.03(A)(5) and (6) and 118.03(B) of the Ohio Revised Code.

Accordingly, this report is hereby submitted and filed with Daniel Rupright, Clerk Treasurer of the Village of New Bavaria; Steve Aelker, Mayor of the Village of New Bavaria; Diana Aelker, President Pro Tempore of Council of the Village of New Bavaria; 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 Henry County Budget Commission.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 6, 2010

Village of New Bavaria, Henry County

Fiscal Emergency Analysis

Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, Mayor Steve Aelker requested that a fiscal analysis be performed by the Auditor of State for the Village of New Bavaria, Henry 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. The Village has not requested that the determination be delayed nor made a substantial showing that it has taken steps to remove the conditions.

This report identifies the procedures performed and the conclusions reached with respect to Conditions 1, 2, and 3 as of January 31, 2010, the date of the determination, and with respect to Conditions 4, 5, and 6 as of December 31, 2009, and January 31, 2010.

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 does not have any debt.

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). The Village does not have any debt.

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 laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or

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- 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 January 31, 2010. We reviewed the council minutes, ordinances, resolutions, and had a discussion with the Clerk Treasurer 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 January 31, 2010. 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 Henry 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 2009 or 2010 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Henry County Budget Commission indicated that the Budget Commission had not taken any action to increase the inside millage of the Village for 2009 or 2010.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of January 31, 2010. The Henry 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, 2009, that were due from the general fund and from 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, 2009, 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 and from all funds that were at least thirty days past due as of December 31, 2009.

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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Fiscal Emergency Analysis

We computed the adjusted aggregate sum of all deficit funds as of December 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 receipts and the receipts to those deficit funds. For 2009, the Village did not obtain an amended certificate, so one-sixth of general fund receipts was used in this calculation. 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 Balance					
Ohio Revised Code Section 118.03(A)(5)					
As of December 31, 2009					
Fund	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Fund with Deficit Balances	One-Sixth Fund Receipts	Unprovided Portion of Aggregate Deficit
General	(\$12,851)	(\$0)	(\$12,851)	\$1,128	(\$11,723)
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit Fund					(\$11,723)

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, 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 January 31, 2010, 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 Balance
Ohio Revised Code Section 118.03(B)
As of January 31, 2010

Fund	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Fund with Deficit Balances	One-Sixth Fund Receipts	Unprovided Portion of Aggregate Deficit
General	(\$12,686)	\$0	(\$12,686)	\$1,097	(\$11,589)
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit Fund					(\$11,589)

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, 2009, and January 31, 2010, respectively. The total unprovided portion of the aggregate deficit fund as of December 31, 2009, and January 31, 2010, is \$11,723 and \$11,589, 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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Fiscal Emergency Analysis

We verified the Village's reconciled bank balance to its statement of cash position for all funds as of December 31, 2009, and as of January 31, 2010, 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 2009 and the estimated amount to be received into the treasury during 2010 to determine if a treasury deficiency exists.

Schedule III

Treasury Balance
Ohio Revised Code Section 118.03(A)(6) and 118.03(B)
as of December 31, 2009, and January 31, 2010

	Amounts at December 31, 2009	Amounts at January 31, 2010
Bank Cash Balance		
The Henry County Bank - General Checking	\$7,005	\$5,358
Less Reconciling Factors for		
Outstanding Checks	(2,961)	(761)
Deposit not Recorded	0	(5)
Total Reconciling Factors	(2,961)	(766)
Total Treasury Balance	4,044	4,592
Positive Fund Balance		
Street Maintenance	16,895	17,278
Treasury Deficit	(12,851)	(12,686)
One-Sixth of Treasury Receipts	1,866	1,863
Treasury Deficiency in Excess of One-Sixth of Treasury Receipts	(\$10,985)	(\$11,755)

Conclusion: Schedule III indicates that a fiscal emergency condition exists under Section 118.03(A)(6) and 118.03(B) of the Ohio Revised Code as of December 31, 2009, and January 31, 2010. The treasury deficit exceeded one-sixth of the treasury receipts at December 31, 2009, and January 31, 2010, by \$10,985 and \$11,755, respectively.

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 New Bavaria based on the existence of the conditions defined in Sections 118.03(A)(5) and (6), and 118.03(B) of the Ohio Revised Code as of December 31, 2009, and January 31, 2010, as presented in Schedules I, II, and III 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 NEW BAVARIA

HENRY 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
MAY 6, 2010