



**Auditor of State  
Betty Montgomery**

**Village of Piketon  
Pike County, Ohio**

**Fiscal Emergency Analysis  
As of December 31, 2003, and April 30, 2004**

Village of Piketon  
Pike County, Ohio  
Fiscal Emergency Analysis

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**Auditor of State  
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**Declaration of Fiscal Emergency**

The Auditor of State performed a fiscal analysis of the Village of Piketon 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 Piketon 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, this report is hereby submitted and filed with Billy Spencer, Mayor of the Village of Piketon; Norman Brabson, President Pro Tempore of Council for the Village of Piketon; 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 Pike County Budget Commission.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 8, 2004

# Village of Piketon, Pike County

## Fiscal Emergency Analysis

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### Introduction

On December 28, 2000, the Village of Piketon, Pike County, was declared in fiscal watch. At that time, there were four funds of the Village which had negative balances: Street, Litter, Police, and Water. The Street Fund now has a positive balance and the Litter Fund no longer exists. The deficit in the Police Fund, however, has continued to increase and the Water Fund balance has remained negative.

As provided by Section 118.04(A) of the Ohio Revised Code, Mayor Billy Spencer requested that a fiscal analysis be performed for the Village by the Auditor of State. The purpose of the analysis is to determine if the financial condition of the Village has deteriorated to a level that justifies the declaration of a 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 when the village's treasury 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 must exist both at year-end and at the time of the analysis to justify the declaration of an emergency.

This report identifies the procedures performed and the conclusions reached with respect to each condition.

### 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 April 30, 2004, which consisted of six debt obligations.

| <u>Debt Issue</u>                | <u>Interest Rate</u> | <u>Payment Date</u> | <u>Amount Due</u> | <u>Payments 30 Days Past Due at April 30, 2004</u> |
|----------------------------------|----------------------|---------------------|-------------------|--|
| <b>Loans Payable</b>             |                      |                     |                   |  |
| Ohio Water Development Authority | 8.07%                | July 1, 2003        | \$61,648          | 0  |
|                                  |                      | January 1, 2004     | 56,955            | 0  |
| Ohio Public Works Commission     | 0.00%                | July 1,             | 8,787             | 0  |
|                                  |                      | January 1,          | 8,787             | 0  |
| First National Bank of Waverly   | 3.87%                | Monthly             | 1,508             | 0  |
| <b>Notes Payable</b>             |                      |                     |                   |  |
| Crawford & Company               | 0.00%                | Monthly             | 3,500             | 0  |
| <b>Leases Payable</b>            |                      |                     |                   |  |
| Pitney Bowes                     | --                   | Quarterly           | 163               | 0  |
| Avaya                            | --                   | Monthly             | 131               | 0  |

# Village of Piketon, Pike County

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We examined the debt payments for the period of January 1, 2003, to April 30, 2004, and compared the payment dates and amounts paid to the due dates and amounts due according to the debt agreements to determine if the Village was meeting its debt obligations in a timely manner. There were no debt payments more than 30 days past due.

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 April 30, 2004.

### **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 the period being tested. We then verified that payroll checks were issued to employees for the pay period ending May 1, 2004, which included April 30, 2004, by comparing the payroll reports with the bank statements. We verified that checks were issued in the amounts established in the pay rate legislation. 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. Also, we determined that adequate cash was in the bank account to cover the payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of April 30, 2004. 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 Emergency Analysis

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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 for 2003 or 2004, 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 in 2003 or 2004 to increase the inside millage of the Village and, therefore, no other subdivision's inside millage was reduced to increase the inside millage of the Village.

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, 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 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, 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 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 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 prepared a schedule of accounts payable as of December 31, 2003, that were due and payable from all funds, 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, 2003, 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.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2003. There were no payables that were due and payable at December 31, 2003, and that had been due and payable for more than 30 days.

### **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

# Village of Piketon, Pike County

## Fiscal Emergency Analysis

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, 2003, 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 I

Deficit Fund Balances  
Ohio Revised Code Section 118.03(A)(5)  
As of December 31, 2003

|   | Cash Fund<br>Balance | Less Accounts<br>Payable and<br>Encumbrances | Adjusted<br>Aggregate Sum<br>of Funds with<br>Deficit<br>Balances | Less One-Sixth of<br>General Fund<br>Budget/Revenues<br>Lawfully Available | Provided<br>(Unprovided)<br>Portion of<br>Aggregate<br>Deficit |
|---|----------------------|--|---|--|--|
| General Fund  | \$1,982              | (\$5,659)                                    | (\$3,677)   | \$22,947   | \$19,270   |
| Street Fund   | 461                  | (1,160)                                      | (699)   | 9,167  | 0  |
| Police Fund   | (298,793)            | (6,476)                                      | (305,269)   | 27,340   | (277,929)  |
| Water Fund  | (127,088)            | (5,037)                                      | (132,125)   | 25,763   | (106,362)  |
| Subtotal  | <u>(\$423,438)</u>   | <u>(\$18,332)</u>                            | <u>(\$441,770)</u>  | <u>\$85,217</u>  | <u>(365,021)</u>   |
| Funds available for transfer:                       |                      |  |   |  |  |
| Street Light  |                      |  |   |  | 29,721   |
| Revolving Loan                                      |                      |  |   |  | 179,018  |
| Total Funds Available For Transfer                  |                      |  |   |  | <u>208,739</u>   |
| Total Unprovided Portion of Aggregate Deficit Funds |                      |  |   |  | <u>(\$156,282)</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 deficit amounts of deficit funds 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 Ohio Revised Code to meet such deficit.

We computed the adjusted aggregate sum of all deficit funds as of April 30, 2004, 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

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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(B)  
As of April 30, 2004

|             | Cash Fund<br>Balance | Less Accounts<br>Payable and<br>Encumbrances | Adjusted<br>Aggregate Sum<br>of Funds with<br>Deficit<br>Balances | Less One-Sixth of<br>The Revenues<br>Lawfully Available | Unprovided<br>Portion of<br>Aggregate<br>Deficit |
|-------------|----------------------|--|---|---|--|
| Police Fund | (\$317,231)          | (\$3,255)                                    | (\$320,486)   | \$28,789  | (\$291,697)                                      |
| Water Fund  | (26,100)             | (12,845)                                     | (38,945)  | 37,753  | (1,192)  |
| Subtotal    | <u>(\$343,331)</u>   | <u>(\$16,100)</u>                            | <u>(\$359,431)</u>  | <u>\$66,542</u>   | <u>(292,889)</u>                                 |

Funds available for transfer:

|   |                   |
|---|-------------------|
| General   | 74,574            |
| Revolving Loan                                      | <u>194,354</u>    |
| Total Funds Available For Transfer                  | <u>268,928</u>    |
| Total Unprovided Portion of Aggregate Deficit Funds | <u>(\$23,961)</u> |

**Conclusion:** Schedules I and II indicate that a fiscal emergency condition exists under Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as of December 31, 2003, and April 30, 2004. The total unprovided portion of the aggregate deficit funds as of December 31, 2003, and April 30, 2004, is \$156,282 and \$23,961, 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.

We verified the Village's reconciliation of its bank balance to its cash book balance as of December 31, 2003, which included subtracting the outstanding checks to arrive at a treasury balance. We then determined the aggregate sum of positive balances of all appropriate funds, 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 2003 to determine the treasury deficiency.



# Village of Piketon, Pike County

## Fiscal Emergency Analysis

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 positive balances as at the time of such determination, 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)(6) of this section, held to meet such positive balances.

We verified the Village's reconciliation of its bank balance to its cash book balance as of April 30, 2004, which included adding deposits in transit and subtracting outstanding checks to arrive at a treasury balance. We then determined the aggregate sum of positive balances of all appropriate funds, 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 and estimated to be received into the treasury during 2004 to determine the treasury deficiency.

Schedule III

### Treasury Balance

Revised Code Section 118.03(A)(6) and (B)

As of December 31, 2003 and April 30, 2004

|  | <u>December 31, 2003</u> | <u>April 30, 2004</u> |
|--|--------------------------|-----------------------|
| Bank Cash Balance                            | \$69,458                 | \$212,129             |
| Adjustments:                                 |                          |                       |
| Deposits in Transit                          | 0                        | 1,166                 |
| Outstanding Checks                           | <u>(9,472)</u>           | <u>(8,292)</u>        |
| Total Treasury Balance                       | <u>59,986</u>            | <u>205,003</u>        |
| Less Positive Fund Balances                  |                          |                       |
| General Fund                                 | 1,982                    | 75,185                |
| Street Light Fund                            | 31,138                   | 0                     |
| Street Fund                                  | 461                      | 1,556                 |
| Highway Fund                                 | 566                      | 90                    |
| Motor Vehicle Fund                           | 554                      | 3,119                 |
| Sewer Fund                                   | 267,231                  | 269,112               |
| Guaranteed Deposits Fund                     | 4,839                    | 4,839                 |
| Revolving Loan Fund                          | 179,018                  | 194,354               |
| Drug Fund                                    | 79                       | 79                    |
| Total Positive Cash Fund Balances            | <u>485,868</u>           | <u>548,334</u>        |
| Treasury Balance Less Positive Fund Balances | <u>(425,882)</u>         | <u>(343,331)</u>      |
| One-sixth Treasury Receipts                  | <u>175,697</u>           | <u>199,573</u>        |
| Treasury Deficiency                          | <u>(\$250,185)</u>       | <u>(\$143,758)</u>    |

# Village of Piketon, Pike County

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Conclusion: Schedule III indicates that a fiscal emergency condition exists under Sections 118.03(A)(6) and 118.03(B) of the Ohio Revised Code as of December 31, 2003, and April 30, 2004. Schedule III indicates that the treasury balance less the positive fund balances did exceed one-sixth of the treasury receipts as of December 31, 2003 and April 30, 2004, by \$219,047 and \$143,758, respectively.

### 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 Piketon as defined in Sections 118.03(A)(5), 118.03(A)(6) and 118.03(B) of the Ohio Revised Code as presented in Schedules I, II, and III above as of December 31, 2003, and April 30, 2004.

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.



**Auditor of State  
Betty Montgomery**

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

**VILLAGE OF PIKETON**

**PIKE 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 8, 2004**