



**Auditor of State  
Betty Montgomery**

**Village of West Elkton  
Preble County, Ohio**

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

**Local Government Services**

Village of West Elkton, Preble County  
Fiscal Emergency Analysis

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**Declaration of Fiscal Emergency**

The Auditor of State performed a fiscal emergency analysis of the Village of West Elkton 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 West Elkton as defined in Section 118.03(A)(5) and (6) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with William Crawford, Clerk-Treasurer of the Village of West Elkton; Charles Pennington, Mayor of the Village of West Elkton; Corwin Talbert, President Pro Tempore of Council for the Village of West Elkton; Joseph T. Deters, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Bob Taft, Governor; Thomas W. Johnson, Director of Office of Budget and Management, and Harold E. Yoder, Secretary of the Preble County Budget Commission.

*Betty Montgomery*

Betty Montgomery  
Auditor of State

September 16, 2004

# Village of West Elkton, Preble County

## Fiscal Emergency Analysis

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### Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, the Auditor of State performed a fiscal emergency analysis of the Village of West Elkton, Preble County (the Village) as requested by the Mayor on December 3, 2003. The purpose of the analysis was to determine if the financial condition of the Village justifies the declaration of fiscal emergency.

In order to complete the analysis, the Local Governments Services section of the Auditor of State's office provided guidance to the Village in getting its financial records up to date and reconciled as of December 31, 2003. The Village declined further assistance in getting its financial records up to date and reconciled for 2004.

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 as of December 31, 2003, and July 31, 2004.

### Condition 1 – 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>Issue Date</u>	<u>Issue Amount</u>
<u>Loans Payable</u>			
Water Treatment Plant and Park Improvement Loan	2.00% - 6.25%	05/01/03	\$31,385
Police Cruiser Loan	2.00% - 6.00%	09/05/03	7,302

We reviewed the outstanding indebtedness of the Village as of July 31, 2004, which consisted of two debt obligations. One is a renewal loan that combined the water treatment plant and park improvements loans when they matured on May 1, 2003. The combined loan was issued for \$31,385 and has a maturity date of May 15, 2008. Principal payments of \$523 are due monthly along with interest. All principal and interest payments were current as of July 31, 2004.

# Village of West Elkton, Preble County

## Fiscal Emergency Analysis

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The other loan is for a police cruiser issued on September 5, 2003 in the amount of \$7,302 with a maturity date of September 5, 2006. Principal payments of \$203 are due monthly along with interest. All principal and interest payments were current as of July 31, 2004.

### Conclusion

A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Ohio Revised Code. No default on any debt obligation for more than thirty days existed at July 31, 2004.

### **Condition 2 - 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 30 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 July 31, 2004. We reviewed the Council minutes, ordinances, resolutions and had a discussion with the Village Clerk and Mayor to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. 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 July 31, 2004. All employees have been paid in amounts and at the times required by Village Ordinance.

### **Condition 3 - 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 Preble County Auditor 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 West Elkton 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 Preble County Auditor indicated that the commission had not taken any action to increase the inside millage of the Village of West Elkton for 2003 or 2004.

# Village of West Elkton, Preble County

## Fiscal Emergency Analysis

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### Conclusion

A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code. The Preble County Budget Commission has not taken any action to increase the millage of the Village of West Elkton by reducing another subdivision's millage.

### **Condition 4 - 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 had either 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 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.

We prepared a schedule of accounts payable as of December 31, 2003, 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, 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. From this amount we subtracted the year-end fund balance available to 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

### Accounts Payable from the General Fund Over 30 Days Past Due Ohio Revised Code Section 118.03(A)(4) As of December 31, 2003

	Payables Over 30 Days Past Due	General Fund Balance Available	Payables In Excess of Balance Available	Less 1/6th of the General Fund Budget	Accounts Payable In Excess of General Fund Budget
General Fund	\$244	\$0	\$244	\$6,269	\$0

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

# Village of West Elkton, Preble County

## Fiscal Emergency Analysis

Conclusion

Schedule I indicates that as of December 31, 2003, a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. Accounts payable from the general fund, which were at least thirty days past-due at the end of the year, did not exceed the available balance in the general Fund plus one-sixth of the general fund budget as of December 31, 2003.

**Condition 5 - 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, 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 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.

Schedule II

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

Funds	Deficit Cash Fund Balances	Accounts Payable and Encumbrances	Adjusted Aggregate Deficit Fund Balances	One-Sixth General Fund Budget/ Fund Receipts	Unprovided Portion of Fund Deficit
General Fund	(\$18,397)	\$18,654	(\$37,051)	\$6,269	(\$30,782)
Law Enforcement Trusts	(17)	0	(17)	0	(17)
Fire	(376)	0	(376)	183	(193)
Police	(8,444)	0	(8,444)	501	(7,943)
Total	(\$27,234)	\$18,654	(\$45,888)	\$6,953	(\$38,935)
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit Funds					(\$38,935)

Conclusion

Schedule II indicates that a fiscal emergency condition does exist under Section 118.03(A)(5) of the Ohio Revised Code as of December 31, 2003. The total unprovided portion of the aggregate deficit funds as of December 31, 2003, is \$38,935.

# Village of West Elkton, Preble County

## Fiscal Emergency Analysis

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### Condition 6 - 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 reconciled bank balances to its fund cash balances as of December 31, 2003. 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 2003 to determine if a treasury deficiency exists.

	Schedule III
Treasury Balances Ohio Revised Code Section 118.03(A)(6) As of December 31, 2003	
	Amounts at December 31, 2003
Bank Cash Balance	
First Financial Bank	\$8,706
Less Adjustments for Outstanding Checks	(90)
Total Treasury Balance	<u>8,616</u>
Positive Fund Balances	
Street Construction	23,010
State Highway Improvement	1,961
Parks and Recreation	8,887
State Grants	24
Ambulance	126
Rural Development - COYLE	1,842
Total Positive Fund Balances	<u>35,850</u>
Treasury Balances Less Positive Fund Balances	(27,234)
One-Sixth Treasury Receipts	<u>9,769</u>
Treasury Deficiency	<u>(\$17,465)</u>

### Conclusion

Schedule III indicates that a fiscal emergency condition does exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2003. The treasury balance less the positive fund balances exceeded one-sixth of the treasury receipts as of December 31, 2003.



## Village of West Elkton, Preble County

### Fiscal Emergency Analysis

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#### **Required Subsequent Analysis for Condition 4, 5, and 6**

Under Section 118.03(B) of the Ohio Revised Code, the fiscal emergency criteria described above under Conditions 4, 5, and 6 must exist at year-end and at the date of the Auditor of State's determination in order to declare a fiscal emergency. This requirement allows the Village an opportunity to demonstrate that a fiscal emergency condition has been corrected. In order to demonstrate that a year-end fiscal emergency condition no longer exists, the Village should have up to date and reconciled accounting ledgers and other records. The Village, at the request of the Mayor, was given an opportunity to present up to date financial records. The Village was unable to provide sufficient financial records to perform the analysis at July 31, 2004, and agreed that a fiscal emergency should be declared.

#### **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 West Elkton as defined in Sections 118.03(A)(5) and (B) of the Ohio Revised Code and presented under Condition 5 and 6 above as of December 31, 2003.

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**

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**VILLAGE OF WEST ELKTON**

**PREBLE 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 16, 2004**