



**Auditor of State  
Betty Montgomery**

**Village of Midland  
Clinton County, Ohio**

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

**Local Government Services Section**

**Village of Midland, Clinton County**

**Fiscal Emergency Analysis**

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**Declaration of Fiscal Emergency**

The Auditor of State performed a fiscal analysis of the Village of Midland 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 Midland as defined by Sections 118.03(A)(5), 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 Joyce Schaeffer, Mayor, Vivian Dearth, Village Fiscal Officer; Bob Taft, Governor; J. Kenneth Blackwell, Secretary of State; Jennette B. Bradley, Treasurer of State; Timothy S. Keen, Director of the Office of Budget and Management and the Clinton County Budget Commission.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

November 30, 2006

Village of Midland, Clinton County

Fiscal Emergency Analysis

Introduction

As provided by Section 118.021 of the Ohio Revised Code, Mayor Joyce Schaeffer requested that a fiscal analysis be performed by the Auditor of State for the Village of Midland. 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 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 do 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 August 30, 2006, the most recent date for which reconciled financial data was available.

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 outstanding indebtedness of the Village as of August 31, 2006 and payment information is as follows:

Debt Issue	Interest Rate	Payment Date	Amount Due	Payments 30 Days Past Due at August 31, 2006
<b>Loan Payable</b>				
Ohio Water Development Authority	0.00%	July 1, 2005	\$1,500	0
		July 1, 2006	1,500	0

We compared the debt payments for the period January 1, 2005, to August 31, 2006 to the dates and amounts due according to the debt agreement to determine if the Village was meeting its debt obligation in a timely manner. There were no debt payments more than 30 days past due.

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 August 31, 2006.

## Village of Midland, Clinton County

### Fiscal Emergency Analysis

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#### **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 August 31, 2006. We reviewed the Village Council's minutes and ordinances and had a discussion with the Village Clerk 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 August 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 Clinton 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 Clinton County Budget Commission indicated that the 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. The Clinton County Budget Commission has not taken any action to increase the inside millage of the Village by reducing another subdivision's millage.

**Village of Midland, Clinton County**

**Fiscal Emergency Analysis**

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**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 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, 2005 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, 2005, 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

Accounts Payable from the General Fund Over 30 Days Past Due  
Ohio Revised Code Section 118.03(A)(4)  
As of December 31, 2005

	Payables Over 30 Days Past Due	General Fund Balance Available	Payables In Excess of Balance Available	One-Sixth of General Fund Budget	Accounts Payable In Excess of General Fund Budget
General Fund	\$4,803	\$0	\$4,803	\$7,443	\$0

We prepared a schedule of accounts payable (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as December 31, 2005. From this amount, we subtracted the year-end fund balance 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 2005, excluding non-recurring receipts of the general fund and of all special funds from which such accounts are lawfully payable. There were no accounts payable in any funds other than the General Fund at December 31, 2005.

**Village of Midland, Clinton County**

**Fiscal Emergency Analysis**

**Condition Four - Past Due Accounts Payable from the General Fund and All Funds** (Continued)

Conclusion: Schedule I indicates that as of December 31, 2005 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 and one-sixth of the general fund budget for that 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.

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2005, by subtracting all accounts payable, encumbrances, and outstanding interfund advances 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.

In 2005, the Village Council authorized the movement of cash from the street construction maintenance and repair fund to the general fund. The transfer or advance of cash from the street construction maintenance and repair fund to the general fund is prohibited by State law. The amount of the transfer or advance which is still outstanding has been subtracted from the general fund balance in order to determine the aggregate deficit as presented in the tables below.

Schedule II

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

	Cash Fund Balance	Less Advances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth General Fund Budget/Revenues Lawfully Available	Provided (Unprovided) Portion of Aggregate Deficit
General Fund	\$23,986	(\$30,000)	(\$4,803)	(\$10,817)	\$7,443	(\$3,374)
State Highway	(2,649)	0	0	(2,649)	172	(2,477)
Subtotal	<u>\$21,337</u>	<u>(\$30,000)</u>	<u>(\$4,803)</u>	<u>(\$13,466)</u>	<u>\$7,615</u>	<u>(5,851)</u>
Funds available for transfer						0
Total Unprovided Portion of Aggregate Deficit Funds						<u><u>(\$5,851)</u></u>

**Village of Midland, Clinton County**

**Fiscal Emergency Analysis**

**Condition Five - Deficit Fund Balances** (Continued)

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 August 31, 2006, by subtracting all accounts payable, encumbrances, and the outstanding interfund advance from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of 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.

Deficit Fund Balances Ohio Revised Code Section 118.03(B) August 31, 2006						Schedule III
	Cash Fund Balance	Less Advances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth General Fund Budget/Revenues Lawfully Available	Provided (Unprovided) Portion of Aggregate Deficit
General Fund	\$11,660	(\$30,000)	\$0	(\$18,340)	\$7,511	(\$10,829)
State Highway	(2,067)	0	0	(2,067)	157	(1,910)
Subtotal	<u>\$9,593</u>	<u>(\$30,000)</u>	<u>\$0</u>	<u>(\$20,407)</u>	<u>\$7,668</u>	<u>(12,739)</u>
Funds available for transfer						<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds						<u><u>(\$12,739)</u></u>

**Conclusion:** Schedules II and III 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, 2005 and August 31, 2006. The total unprovided portion of the aggregate deficit funds as of December 31, 2005 and August 31, 2006 was \$5,851 and \$12,739, respectively.



Village of Midland, Clinton County

Fiscal Emergency Analysis

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 reconciled bank balances to its fund cash balances as of December 31, 2005. 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 2005, to determine if a treasury deficiency exists.

	Schedule IV
Treasury Balance Revised Code Section 118.03(A)(6) As of December 31, 2005	
	<u>December 31, 2005</u>
Bank Cash Balance	\$40,313
Adjustments:	
Deposits in Transit	186
Outstanding Checks	<u>(100)</u>
Total Treasury Balance	<u>40,399</u>
Less Positive Fund Balances	
Street Construction Maintenance and Repair	40,876
Police Levy	581
Permissive Motor Vehicle License Tax Fund	<u>7,605</u>
Total Positive Cash Fund Balances	<u>49,062</u>
Treasury Deficit	(8,663)
One-sixth Treasury Receipts	<u>15,568</u>
Treasury Receipts in Excess of Treasury Deficit	<u><u>\$6,905</u></u>

Conclusion: Schedule IV indicates that 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 balances does not exceed one-sixth of the treasury receipts as of December 31, 2005.

## Village of Midland, Clinton County

### Fiscal Emergency Analysis

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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 Midland as defined in Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as presented in Schedules II and III above as of December 31, 2005, and August 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 to you.



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF MIDLAND**

**CLINTON 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  
NOVEMBER 30, 2006**