



Mary Taylor, CPA
Auditor of State

Village of Waynesville
Warren County, Ohio

Fiscal Emergency Analysis
As of December 31, 2007 and February 29, 2008

Local Government Services Section

Village of Waynesville, Warren County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the Village of Waynesville 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 Waynesville 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 Earl Isaacs, Mayor of the Village of Waynesville; Sandra Stemple, President Pro Tempore of Council for the Village of Waynesville; Ted Strickland, Governor; Jennifer Brunner, Secretary of State; Richard Cordray, Treasurer of State; J. Pari Sabety, Director of the Office of Budget and Management and the Warren County Budget Commission.

A handwritten signature in cursive script that reads "Mary Taylor".

MARY TAYLOR, CPA
Auditor of State

April 15, 2008

Village of Waynesville, Warren County

Fiscal Emergency Analysis

Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, Mayor Earl Isaacs requested that a fiscal analysis be performed by the Auditor of State for the Village of Waynesville, Warren County (the Village). The purpose of the analysis is to determine if the financial condition of the Village justifies the declaration of a fiscal watch or 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 four, five, and six 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, 2007 and February 29, 2008, 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.

We reviewed the outstanding indebtedness of the Village as of February 29, 2008, which consisted of eleven debt issues. A summary of the Village's outstanding debt is presented below:

| <u>Debt Issue</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Issue Amount</u> |
|-----------------------------------------------|----------------------|-------------------|---------------------|
| <u>Loans Payable</u> | | | |
| Ohio Water Development Authority Loan 3984 | 5.01% | October 30, 2003 | \$198,869 |
| Ohio Water Development Authority Loan 2566 | 2.50% | May 27, 1999 | 3,883,029 |
| Ohio Water Development Authority Loan 3235 | 6.41% | January 27, 2000 | 466,117 |
| Ohio Public Works Commission Loan | 0.00% | March 23, 2000 | 433,600 |
| <u>Notes Payable</u> | | | |
| Land Acquisition Notes | 4.45% | December 15, 2006 | 368,000 |
| Police Levy Notes | 3.50% | September 3, 2004 | 75,000 |
| <u>Bonds Payable</u> | | | |
| Government Center Bonds | 5.30% | December 1, 2004 | 1,248,000 |
| Sidewalk Special Assessment Improvement Bonds | 6.00% | November 1, 1998 | 17,696 |
| <u>Leases</u> | | | |
| Copier Lease | N/A | December 21, 2004 | 19,819 |
| Police Cruiser Lease | 7.00% | August 15, 2006 | 32,158 |
| Computer Lease | N/A | February 17, 2005 | 4,428 |

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We obtained a list of the outstanding debt from the 2006 audited financial statements and reviewed the existing minutes for the period of January 1, 2007 through February 29, 2008 to identify any new debt issues. We identified the payment amounts and dates from amortization schedules and debt proceedings. We obtained the vouchers for the payments made before February 29, 2008 and compared the billing statements, invoices, or requests for payment to the amortization schedules and debt proceedings to determine if the Village met its debt obligations in a timely manner. We also reviewed the billing statements, invoices, and requests for payment for any delinquent amounts. There were no debt payments more than 30 days past due.

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

| <u>Debt Issue</u> | <u>Payment Date</u> | <u>Amount Due</u> | <u>Amounts 30 Days Past Due at 2/29/2008</u> |
|-----------------------------------------------|---------------------|-------------------|----------------------------------------------|
| <u>Loans Payable</u> | | | |
| Ohio Water Development Authority Loan 3984 | January 1, 2008 | \$7,018 | \$0 |
| Ohio Water Development Authority Loan 2566 | January 1, 2008 | 121,215 | 0 |
| Ohio Water Development Authority Loan 3235 | January 1, 2008 | 18,827 | 0 |
| Ohio Public Works Commission Loan | January 1, 2008 | 10,840 | 0 |
| <u>Notes Payable</u> | | | |
| Land Acquisition Notes | December 14, 2007 | 384,331 | 0 |
| Police Levy Notes | September 1, 2007 | 16,575 | 0 |
| <u>Bonds Payable</u> | | | |
| Government Center Bonds | January 1, 2008 | 36,728 | 0 |
| Sidewalk Special Assessment Improvement Bonds | December 1, 2007 | 2,272 | 0 |
| <u>Leases</u> | | | |
| Copier Lease | February 25, 2008 | 370 | 0 |
| Police Cruiser Lease | August 15, 2007 | 8,873 | 0 |
| Computer Lease | February 14, 2008 | 150 | 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 February 29, 2008.

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.

Village of Waynesville, Warren County

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We reviewed the payroll records of the Village as of February 29, 2008. We reviewed the Village Council's minutes and ordinances and had a discussion with the Village Finance Director 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 Section 118.03(A)(2)(a) 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 February 29, 2008. 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 Warren 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 2007 or 2008, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Warren County Budget Commission indicated that the Commission had not taken any action in 2007 or 2008 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 as of February 29, 2008. The Warren 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 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

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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, 2007, 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, 2007, 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. Actual receipts were used for this determination, as the Village did not have an amended official certificate of estimated resources approved by the Warren County Budget Commission. There were two funds that had accounts payable that were due and payable for at least thirty days.

Schedule I

All Funds Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2007

| Funds | Payables Over 30 Days Past Due | Fund Balance Available | Payables in Excess of Available Balance | One-Sixth of the Fund Receipts | Accounts Payable in Excess of Available Revenue |
|----------------------------------|-----------------------------------------|------------------------------|--------------------------------------------------|--------------------------------------|----------------------------------------------------------|
| Street Maintenance and Repair | \$24 | \$0 | \$24 | \$21,968 | \$0 |
| Police Levy | 47 | 0 | 47 | 45,160 | 0 |
| Totals | \$71 | \$0 | \$71 | \$67,128 | \$0 |

Conclusion: Schedule I indicates that a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2007. Accounts payable from all funds which were at least thirty days past due at the end of the year did not exceed one-sixth of the available revenue.

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 receipts 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, 2007, 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 the General Fund, actual receipts for 2007 were used for determination as the Village did not have an amended official certificate of estimated resources approved by the Warren County Budget Commission. 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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Fiscal Emergency Analysis

Schedule II

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2007

| | Cash Fund Balance | Less Accounts Payable and Encumbrances | Adjusted Aggregate Sum of Funds with Deficit Balances | One-Sixth of the Fund Receipts | Provided (Unprovided) Portion of Aggregate Deficit |
|-----------------------------------------------------|----------------------|----------------------------------------------|----------------------------------------------------------------------|--------------------------------------|----------------------------------------------------------------|
| Street Maintenance and Repair Fund | (\$155,066) | (\$2,732) | (\$157,798) | \$21,968 | (\$135,830) |
| Police Fund | (325,384) | (8,025) | (333,409) | 45,160 | (288,249) |
| Sidewalk Assessment Fund | (1,535) | | (1,535) | 437 | (1,098) |
| Parks and Recreation Fund | (264) | | (264) | 1,167 | 903 |
| Historic Preservation Fund | (2,402) | | (2,402) | 0 | (2,402) |
| Subtotal | <u>(\$484,651)</u> | <u>(\$10,757)</u> | <u>(\$495,408)</u> | <u>\$68,732</u> | <u>(426,676)</u> |
| Funds available for transfer: | | | | | |
| General Fund | | | | | 209,181 |
| Total Unprovided Portion of Aggregate Deficit Funds | | | | | <u>(\$217,495)</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 February 29, 2008, 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 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.

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Schedule III

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of February 29, 2008

| | <u>Cash Fund Balance</u> | <u>Less Accounts Payable and Encumbrances</u> | <u>Adjusted Aggregate Sum of Funds with Deficit Balances</u> | <u>One-Sixth of the Fund Receipts</u> | <u>Provided (Unprovided) Portion of Aggregate Deficit</u> |
|-----------------------------------------------------|------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------|
| Street Maintenance and Repair Fund | (\$152,389) | (\$2,075) | (\$154,464) | \$22,593 | (\$131,871) |
| Police Fund | (375,445) | (3,992) | (379,437) | 45,353 | (334,084) |
| Sidewalk Assessment Fund | (1,535) | | (1,535) | 437 | (1,098) |
| Parks and Recreation Fund | (264) | | (264) | 1,167 | 903 |
| Historic Preservation Fund | (2,402) | | (2,402) | 0 | (2,402) |
| Subtotal | <u>(\$532,035)</u> | <u>(\$6,067)</u> | <u>(\$538,102)</u> | <u>\$69,550</u> | <u>(468,552)</u> |
| Funds available for transfer: | | | | | |
| General Fund | | | | | <u>234,875</u> |
| Total Unprovided Portion of Aggregate Deficit Funds | | | | | <u><u>(\$233,677)</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, 2007, and February 29, 2008. The total unprovided portion of the aggregate deficit funds as of December 31, 2007, and February 29, 2008, are \$217,495 and \$233,677, 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 for all funds as of December 31, 2007, which included adding and 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 total amount received into the treasury during 2007 to determine the treasury deficiency.

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Schedule IV

Treasury Balance
Revised Code Section 118.03(A)(6)
As of December 31, 2007

| | <u>December 31, 2007</u> |
|-------------------------------------------------|--------------------------|
| Bank Cash Balance | \$1,292,528 |
| Adjustments: | |
| Reconciling Items | 1,397 |
| Deposits in Transit | 25,348 |
| Outstanding Checks | (90,727) |
| Total Treasury Balance | <u>1,228,546</u> |
| Less Positive Fund Balances | |
| General Fund | 217,786 |
| State Highway Improvement | 32,242 |
| Law Enforcement Trust | 2 |
| Village Add-on MVL Tax | 19,072 |
| Drug Enforcement and Education | 5,815 |
| Street Levy | 141,230 |
| Permissive Tax | 19,163 |
| County Revenue Sharing | 595 |
| EPA Environmental | 2,500 |
| County Water Development | 3,250 |
| Water | 173,496 |
| Sewer | 378,222 |
| Storm Water Utility | 59,703 |
| Utility Deposits | 1,885 |
| Water Tower Deposits | 124,841 |
| Trash | 21,823 |
| Street Light Utility | 1,952 |
| Water Capital Improvement | 237,311 |
| Sewer Capital Improvement | 272,309 |
| Total Positive Cash Fund Balances | <u>1,713,197</u> |
| Treasury Deficit | (484,651) |
| One-sixth Treasury Receipts | 524,654 |
| Treasury Receipts in Excess of Treasury Deficit | <u><u>\$40,003</u></u> |

Conclusion: Schedule IV indicates that a fiscal emergency condition does not exist under Sections 118.03(A)(6) of the Ohio Revised Code. The treasury balance less the positive fund balances did not exceed one-sixth of the treasury receipts as of December 31, 2007.

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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 Waynesville as defined in Section 118.03(A)(5) of the Ohio Revised Code as presented in Schedule II above as of December 31, 2007.

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.



Mary Taylor, CPA
Auditor of State

VILLAGE OF WAYNESVILLE

WARREN 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
APRIL 15, 2008**