



Mary Taylor, CPA
Auditor of State

Village of Piketon
Pike County, Ohio

Fiscal Emergency Termination

Local Government Services Section

Village of Piketon - Pike County

Fiscal Emergency Termination

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Auditor of State

CERTIFICATION

Pursuant to a request presented to the Auditor of State by the Village of Piketon Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Village of Piketon to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on that analysis, the Auditor of State certifies that the Village of Piketon no longer meets the fiscal emergency conditions set forth in Section 118.27(A)(1), (2), (3), and (4) of the Ohio Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Ohio Revised Code is in the process of being implemented, and it is reasonably expected that this implementation will be completed within two years, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of Piketon and its role in the operation of the Village of Piketon is terminated as of October 15, 2009.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Billy Spencer, Mayor of the Village of Piketon; Ralph Douthitt, President of Council; Ted Strickland, Governor; J. Pari Sabety, Director of the Office of Budget and Management; Kevin L. Boyce, Treasurer of State; Jennifer Brunner, Secretary of State; and Ted L. Wheeler, Pike County Auditor.

At the time of the termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 118.27(A)(2) of the Ohio Revised Code requires the Auditor of State will monitor the progress of implementation and exercise authority under this section and Chapter 117 of the Ohio Revised Code, to secure full implementation within two years.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

October 15, 2009

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Village of Piketon - Pike County

Report on the Termination of the Village of Piketon Financial Planning and Supervision Commission

Report on the Termination of the Village of Piketon Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Village of Piketon (the Commission), Pike County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code, should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Ohio Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter, shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) Planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with section 118.10 of the Ohio Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to section 118.04 of the Ohio Revised Code, and no new emergency conditions have occurred...; (3) Met the objectives of the financial plan described in section 118.06 of the Ohio Revised Code; and (4) prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”

Results of our work under section 118.27(A) of the Ohio Revised Code, are as follows:

Pages four through fourteen of our report indicate that the Village has effectively implemented or is in the process of implementing corrections to its financial accounting and reporting system in accordance with section 118.10(A) of the Ohio Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under section 118.04 of the Ohio Revised Code. This analysis can be found beginning on page fifteen.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with section 118.06 of the Ohio Revised Code. Specific conclusions can be found on page twenty.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated. The Village has not completed its implementation of an effective financial accounting and reporting system; therefore, the Auditor of State will monitor the Village to ensure full implementation of the remaining items within two years.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the Village of Piketon, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Piketon, and others as designated by the Auditor of State, and is not to be used for any other purpose. Our procedures and findings follow.

Village of Piketon - Pike County

Report on the Termination of the Village of Piketon Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Ohio Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files and reports of the Village of Piketon (the Village) and issued a Report on Accounting Methods, dated November 4, 2005. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Ohio Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. To reach this determination, we confirmed the actions identified as having been taken by management to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of the actions taken by management to address each issue is presented below:

Budgetary System:

Auditor of State Comment from Report on Accounting Methods:

The Village does not update its long-term capital plan identifying anticipated projects and the means of financing the projects each year. Council should review an updated capital plan each year and incorporate it into the current year budget.

In Process of Implementation:

Council passed Ordinance No. 2006-08 on December 18, 2006, that stated a five year capital plan will be submitted to Council each December. The Mayor submitted a five year capital improvement plan to Council on December 22, 2008, and a revised plan was submitted to council on January 5, 2009. The plan has been incorporated into Village's 2009 budget.

Auditor of State Comment from Report on Accounting Methods:

The Village does not provide a ten day notice of the public hearing by Council on the annual tax budget as required by Section 5705.30 of the Ohio Revised Code.

Implemented:

The Village provided the ten day notice of the public hearing by Council for the 2009 annual tax budget as required by Section 5705.30 of the Ohio Revised Code.

Auditor of State Comment from Report on Accounting Methods:

The Village does not compare estimated (budgeted) revenues to actual revenues during the year or request an amended certificate when increases or decreases in estimated revenues are appropriate.

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Implemented:

The Clerk-Treasurer reviews estimated and actual revenues monthly and has requested amended certificates during calendar years 2006, 2007, and 2008 to reflect changes in estimated revenues. The estimated revenues in the accounting system matched the final amended certificate for 2008.

Auditor of State Comment from Report on Accounting Methods:

The Village does not compare available resources on the amended certificate to appropriations to ensure that appropriations do not exceed estimated resources.

Implemented:

The Clerk-Treasurer compares the amended certificate to appropriations prior to adoption to ensure that appropriations do not exceed estimated resources. As of December 31, 2008, the appropriations did not exceed the available resources on the amended certificate. Beginning in 2009, the Village passed an ordinance that requires the Clerk-Treasurer to provide council with a report that compares available resources to appropriations.

Auditor of State Comment from Report on Accounting Methods:

The Village allows actual expenditures to exceed the appropriated amounts authorized by Council.

In Process of Implementation:

The Clerk-Treasurer provides a report entitled "Appropriation Summary" which compares actual expenditures to appropriations to Council once a month. With this report, the Clerk-Treasurer monitors the actual expenditures compared to authorized appropriations and makes adjustments to appropriations as needed.

Auditor of State Comment from Report on Accounting Methods:

The Village should ensure that an appropriation ordinance is adopted by Council prior to disbursing monies.

Implemented:

The Council adopted an annual appropriation ordinance on December 17, 2007, for calendar year 2008.

On December 15, 2008, Council adopted a temporary appropriation ordinance for calendar year 2009. Council adopted an amended temporary appropriation ordinance on December 22, 2008, for calendar year 2009, in order to allow the appropriation ordinance to coincide with the Village's long-term capital plan.

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Accounting Ledgers:

Auditor of State Comment from Report on Accounting Methods:

The use of manual journals and ledgers is not the most efficient and effective means of maintaining the accounting records considering the size of the Village and the number of transactions. The Auditor of State offers a computerized accounting system called the Uniform Accounting Network (UAN). The Village should consider acquiring this system to maintain its accounting records.

Implemented:

The Village implemented the UAN system in 2005.

Auditor of State Comment from Report on Accounting Methods:

The Clerk-Treasurer does not always record receipts and expenditures in the cash journal on a regular and timely basis. All required information, such as complete account codes, is not recorded and year-to-date totals are not computed each month. The receipts and appropriation ledgers are not reconciled with the cash journal and some of the account information at the top of each ledger page is left blank or is improperly completed.

Implemented:

The Village now utilizes the UAN system. The system uses complete account codes and calculates year-to-date totals in the month-end reports. The accounting system ensures the receipts and appropriation ledgers are balanced with the cash journal.

Receipt Transactions:

Auditor of State Comment from Report on Accounting Methods:

There were receipt transactions recorded in the Village cash journal that did not have receipt numbers.

Implemented:

The accounting system assigns a consecutive number to each receipt entered into the system. This number appears in the cash journal and receipt ledger when the transaction is posted.

Auditor of State Comment from Report on Accounting Methods:

Pay-in-orders are a form generally used by the Clerk-Treasurer's office for the receipt of money and for the posting of receipts to the accounting system. Receipts are generally a document used to substantiate the receipt of money. The Clerk-Treasurer issues receipts rather than pay-in-orders. Receipts should be used by the various departments. Pay-ins should be used by the Clerk-Treasurer's office to document the receipt of money from the Mayor's Court and the Utilities Department and to post receipts to the accounting system.

Implemented:

The Clerk-Treasurer uses pay-in-orders for the receipt of money and posting of receipts to the accounting system.

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Auditor of State Comment from Report on Accounting Methods:

The Village Administrator does not review and sign the cashbook that identifies the daily receipts for the Utilities Department in a timely manner.

Implemented:

The Village Administrator compares the daily receipts for the Utilities Department to the daily deposits to ensure accuracy by the next business day. The Village Administrator also compares every month the cash journal, which includes daily receipts for the Utilities Department, to the month end reports for the Utilities Department. The Village Administrator signs the daily receipts and the cash journal to document that they have been reviewed.

Auditor of State Comment from Report on Accounting Methods:

The Utilities Billing Clerk and the Village Administrator have been trained on the software used to process the utility bills. In addition, the Village is in the process of migrating to the newest version of the software. The Village needs to obtain training on the new version of the software for the Utilities Billing Clerk, Village Administrator, and Clerk-Treasurer.

Implemented:

The Utilities Billing Clerk and the Village Administrator have been trained on the software used to process utility bills. The Utilities Billing Clerk contacts the software vendor if there are any problems. The Village pays an annual fee to the software company for customer support. It has been determined that there is no need for the Clerk-Treasurer to obtain training on the software used to process the utility bills.

Auditor of State Comment from Report on Accounting Methods:

The Village Administrator should perform a reconciliation of billings and collections to accounts receivable for each monthly billing cycle and he or she should review and sign it.

Implemented:

The Village Administrator reconciles billings and collections to accounts receivable by adding the previous amount owed from the prior billing period and adding it to the new billings and any current penalties and adjustments, then subtracting the payments received for each monthly billing cycle. The Village Administrator signs the reconciliation each month after it is complete.

Auditor of State Comment from Report on Accounting Methods:

The Mayor's Court should develop a written policy regarding the collection process of delinquent fines.

Implemented:

The Village adopted a written policy regarding the collection process of delinquent fines on January 5, 2009. The policy establishes a time limit for all fines and court costs to be paid to the Village from violations of any ordinance established by the Village and states that driving privileges may be suspended if payments are not made within the allotted time period.

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Purchasing Process:

Auditor of State Comment from Report on Accounting Methods:

The Village should consider the use of purchase requisition forms to document the authorization of purchases.

Implemented:

The Village adopted procedures that require the use of purchase requisition forms.

Auditor of State Comment from Report on Accounting Methods:

The Clerk-Treasurer does not certify funds prior to obligations being incurred. Purchases should be certified indicating that sufficient appropriations exist prior to the ordering of the goods or services. All purchase certifications should be encumbered in the appropriation ledger.

In Process of Implementation:

In general, purchase orders are issued at the time of ordering the goods or services. Occasionally, a regular purchase order is prepared after goods or services are ordered instead of a "Then and Now Certification". All purchase certifications are encumbered when issued. However, there are occasions when the purchase order is not signed by the Clerk-Treasurer.

Auditor of State Comment from Report on Accounting Methods:

The Village does not ensure that a vendor is not on the outstanding findings for recovery list established under Section 9.24 of the Ohio Revised Code.

Not Implemented:

The Clerk-Treasurer compares the outstanding findings for recovery list on the Auditor of State of Ohio's website to the vendor list from the Village's UAN system only after a vendor has already been utilized.

Auditor of State Comment from Report on Accounting Methods:

Purchase orders are prepared and stored in a box until the invoices are received. Purchase orders should be distributed to the vendors as documentation of the items and quantities to be purchased and to the departments to serve as a checklist for when the goods are delivered.

Implemented:

The Village distributes a copy of the purchase order to the vendor or calls with the purchase order number at the request of the vendor.

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Cash Disbursements:

Auditor of State Comment from Report on Accounting Methods:

Disbursements are made from funds without a cash balance sufficient to cover the amount of the obligation.

Implemented:

Disbursements are made if there is sufficient cash in the appropriate fund. Safe-guards within the accounting system prevent checks from printing if the cash balance is less than the amount of the check.

Auditor of State Comment from Report on Accounting Methods:

Check numbers are not indicated on invoices nor are invoices stamped "paid".

Implemented:

Invoices are attached to the purchase orders and copies of the checks. The invoices clearly indicate the items, quantities, and unit cost of each item.

Auditor of State Comment from Report on Accounting Methods:

The Clerk-Treasurer does not use, when appropriate, a "Then and Now Certification" when a purchase order/certification is not made prior to the purchase being made.

Implemented:

The frequency of the use of "Then and Now Certifications" has decreased and such certifications are only being utilized when necessary due to unforeseen circumstances.

Auditor of State Comment from Report on Accounting Methods:

The employee who checks an incoming order should sign the packing slip to indicate the order was physically checked and compared to the purchase order.

Implemented:

The employee who checks an incoming order physically verifies the order with the packing slip and signs it. The Clerk-Treasurer compares the packing slip to the invoice and the appropriate purchase order.

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Auditor of State Comment from Report on Accounting Methods:

Vouchers are signed by the Village Administrator, Clerk-Treasurer, and Council Members usually before funds are disbursed. Sometimes vouchers are signed by Council Members after the disbursement is made. The approval by Council Members is an internal control designed to help detect problems. The Village should adopt a policy whereby regular recurring vouchers or vouchers under a set dollar amount are paid with the approval of the Mayor or Village Administrator and all other vouchers are approved by Council or the Finance Committee before the disbursement is made. The policy should also allow approvals to occur in sufficient time to avoid late penalties.

Implemented:

The Village adopted Resolution No. 2008-09 that allows all regular recurring invoices, regardless of amount, or invoices under \$1,000 that need to be paid to prevent late penalties, to be approved by the Mayor and/or Village Administrator. All invoices over \$1,000, except regular recurring invoices, or those under \$1,000 that are not at risk of being overdue are to be presented at the next regular council meeting and authorized by signature of Council for payment.

Payroll Processing:

Auditor of State Comment from Report on Accounting Methods:

Police officers are not required to use time cards or document that they agree with the hours submitted for pay by the Police Chief to the Clerk-Treasurer. Each police officer should maintain a time sheet that is signed by the officer and submitted to the Chief each pay period.

Implemented:

The police officers are required to use time cards to track hours and sign timesheets at the end of each pay period. The Police Chief approves the time cards and submits them to the Clerk-Treasurer.

Auditor of State Comment from Report on Accounting Methods:

The Employee Handbook is not updated with the most recent policies.

Implemented:

The Village adopted Ordinance No. 2009-05, which is a new employee handbook.

Debt Administration:

Auditor of State Comment from Report on Accounting Methods:

The Village posts both debt principal and interest payments to the object code for principal payment. The principal and interest should be posted to their respective object codes according to the chart of accounts.

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Implemented:

The Clerk-Treasurer posts debt principal and interest payments to their respective object codes.

Auditor of State Comment from Report on Accounting Methods:

The Village was late on a number of lease payments.

Implemented:

The Village is current on all debt payments.

Inventory of Capital Assets:

Auditor of State Comment from Report on Accounting Methods:

The Village does not have policies and procedures established to account for and track capital assets.

In process of Implementation:

The Village passed Resolution No. 2008-05 on February 19, 2008, which established policies and procedures for accounting for and tracking capital assets; however, the Village has not implemented the policies and procedures as established.

Cash Management and Investing:

Auditor of State Comment from Report on Accounting Methods:

The Village maintains change funds that exceed the amount authorized by Council. The Clerk-Treasurer should reduce the amount in the change funds to the authorized level or amend the resolution to reflect the higher amount it wants in the change funds. The change funds should be included in the monthly bank reconciliation.

Implemented:

Council passed Ordinance No. 2006-09 on December 18, 2006, which established change funds and the dollar amount, which is set a \$100 for each fund.

The change funds are included on the monthly reconciliations completed by the Village.

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Auditor of State Comment from Report on Accounting Methods:

The Village did not file a statement with the State Treasurer's office indicating that the Clerk-Treasurer is exempt from the continuing education requirement as specified in Ohio Revised Code Section 135.22.

Implemented:

The Village appointed a new Clerk-Treasurer during 2007. The new Clerk-Treasurer was elected into the position during 2008. The new Clerk-Treasurer attends all training seminars required by Ohio Revised Code 135.22.

Auditor of State Comment from Report on Accounting Methods:

The Village does not invest cash that is being held in the general checking account. When the Village has cash in the bank in excess of what is needed to pay current liabilities, it should invest those funds. The Village, at a minimum, should investigate investing funds in STAROhio.

Implemented:

The Village invests cash that is not needed in the current period in certificates of deposit through the local bank.

Auditor of State Comment from Report on Accounting Methods:

The Mayor does not review the monthly reconciliation of the Mayor's Court cashbook to the bank statement.

Implemented:

The Mayor's Court Clerk performs a monthly reconciliation of the Mayor's Court cashbook to the bank statement. The Mayor reviews and signs the monthly reconciliation of the Mayor's Court cashbook to the bank statements.

Financial Reporting:

Auditor of State Comment from Report on Accounting Methods:

Council has not defined, by ordinance, the type or frequency of the financial information to be reported to Council. The Clerk-Treasurer should give to Council a monthly statement that provides the beginning and ending cash balances and the year-to-date receipts and disbursements for each fund and summary data for estimated and actual receipts and appropriations and expenditures for each fund. Similar information, but with more detail, should be provided to all department heads on a monthly basis.

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Implemented:

The Village Council adopted Ordinance No. 2007-01, which established the financial reports that are to be provided to Council by the Clerk-Treasurer and the frequency of the presentations. The following reports from the UAN system are to be provided to Council monthly: fund summary report, revenue summary report, appropriation summary, comparison of the budgeted revenue to the appropriations, and the monthly bank reconciliation. The Clerk-Treasurer provides these reports to Council on a monthly basis.

Auditor of State Comment from Report on Accounting Methods:

The estimated receipts and appropriations reported in the annual financial report should agree with the certificate of estimated resources and the appropriations approved by Council and reported in the accounting records.

Implemented:

The estimated receipts and appropriations in the 2008 annual financial report are in agreement with the certificate of estimated resources and the appropriations approved by Council.

Recording Official Proceedings:

Auditor of State Comment from Report on Accounting Methods:

The Village has not established a records commission required by Ohio Revised Code Section 149.39.

Implemented:

Village Council adopted Ordinance No. 2007-03, which establishes a records commission according to Ohio Revised Code section 149.39. As required by the Ohio Revised Code, the Mayor, Clerk-Treasurer, Village Solicitor, and a citizen appointed by the Mayor comprise the committee. The Commission held a meeting on January 28, 2008.

Auditor of State Comment from Report on Accounting Methods:

Ordinances are not always published according to Ohio Revised Code Section 731.21.

Implemented:

The Village publishes a summary of all ordinances in the local newspaper.

Auditor of State Comment from Report on Accounting Methods:

Resolutions and ordinances are not maintained in a Resolution or Ordinance Book.

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Implemented:

Resolutions and ordinances are kept in a binder. All resolutions and ordinances are listed by number.

Auditor of State Comment from Report on Accounting Methods:

Minutes of bid openings are not maintained.

Implemented:

The Village's engineering consultants handles the bid openings. The Village Administrator receives a copy of the minutes from the firm and files them with the project to which they pertain.

Audit Report and Management Letters

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2006 and 2007, audit included several significant control deficiencies, noncompliance issues and recommendations. The significant control deficiencies included the lack of controls in place to monitor revolving loans, the lack of segregation of duties, and the Village's lack of internal control over financial reporting. The noncompliance issues included violations of Ohio budgetary law. The recommendations provided to the Village included the adoption of a travel reimbursement policy, the adoption of a policy that sets a maximum amount for which a blanket certificate can be used, and the adoption of a credit card and cell phone policy.

As of the date of this report, Council has formed a revolving loan committee to review the loan process. All loans have been suspended until procedures are in place to ensure collection of outstanding loans. Letters are being sent monthly to customers who are not making monthly payments. The Village has also addressed the lack of segregation of duties. The Village Administrator is now reviewing the Utility Clerk's cash receipts journal and verifies the amount being deposited agrees to the amount reported in the cash receipts journal. The Village Administrator then initials the Utility Clerk's cash receipts journal. The Mayor's Court Clerk then initials the Utility Clerk's deposit ticket verifying that the amount of money deposited agreed to the cash receipts journal. The Village Council and the Mayor receive financial information on a monthly basis. The Mayor, Clerk-Treasurer, Village Administrator, and Police Chief regularly review finances, comparing estimated revenue with actual revenue and comparing estimated expenses with actual expenses. The Village has also implemented policies addressing travel reimbursement, blanket certificates, credit cards and cell phones.

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Report on the Termination of the Village of Piketon Financial Planning and Supervision Commission

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of action to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency, and no new fiscal emergency conditions may have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Ohio Revised Code, is presented below:

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 Ohio Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the Village's outstanding debt as of March 31, 2009, is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Year Issued</u>	<u>Balance at 3/31/2009</u>
Utility Service Company Loan	0.00%	2007	\$85,500
Land Installment Contract Loan	0.00%	2007	51,197
First National Bank - Police Cruiser Loan	3.85%	2007	11,768
First National Bank - Pike Hill Project Loan	3.75%	2008	213,426
OPWC Wastewater Treatment Plant Upgrade Loan	0.00%	2003	237,263
OPWC Water Treatment Renovation Project Loan	0.00%	2006	95,780
OWDA Sewer Improvement Loan	8.07%	2007	530,051
			<u>\$1,224,985</u>

We reviewed the outstanding indebtedness of the Village as of March 31, 2009. The Village has \$1,224,985 in outstanding debt at March 31, 2009, and has made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(1) of the Ohio Revised Code, as of March 31, 2009. The Village has not defaulted on any debt obligations.

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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 Ohio Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation 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 90 days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than 30 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 discussions with the Village Clerk-Treasurer. We obtained payroll reports with a list of employees, pay rate legislation, and bank statements. We then verified that payroll checks were issued to employees for the pay period ending March 13, 2009, by comparing the payroll checks with the bank statements 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. All employees received payroll checks on the established pay date of March 20, 2009, and all payroll checks had cleared the Village's bank account by March 31, 2009. Also, we determined that adequate cash was in the bank account and that fund cash balances were sufficient to cover payroll.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(2) of the Ohio Revised Code as of March 31, 2009. All employees have been paid in amounts and at the times required by ordinance.

Condition Three – Increase in Minimum Tax 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 Ohio Revised Code, in the minimum levy of the municipal corporation 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 Pike 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 Piketon for the year 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 Auditor indicated that no action had been taken by the Pike County Budget Commission to increase the inside millage of the Village and, therefore, no other subdivision's millage was reduced for 2008.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(3) of the Ohio Revised Code as of March 31, 2009. The Pike County Budget Commission has not taken action to increase the minimum levy of the Village.

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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 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 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 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, 2008, 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, 2008, 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 pay the outstanding bills. Since the general fund balance available exceeded the accounts payable, no further calculations were necessary.

Schedule I

Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2008

	Payables Over 30 Days Past Due	General Fund Balance Available	General Fund Balance Available In Excess of Payables
General Fund	\$3,334	\$289,472	\$286,138

From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2008. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. Since the available fund balance exceeded the accounts payable, no further calculations were necessary.

Village of Piketon - Pike County

**Report on the Termination of the Village of Piketon
Financial Planning and Supervision Commission**

Schedule II

Accounts Payable From All Funds Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2008

Funds	Payables Over 30 Days Past Due	Fund Balance Available	Balance Available In Excess of Payables
General Fund	\$3,334	\$289,472	\$286,138
Street Construction, Maintenance and Repair Fund	106	257,921	257,815
State Highway Fund	155	5,615	5,460
Police Levy Fund	78	87,963	87,885
Water Operating Fund	515	181,956	181,441
Sewer Operating Fund	1,594	481,269	479,675
Totals	<u>\$5,782</u>	<u>\$1,304,196</u>	<u>\$1,298,414</u>

Conclusion: Schedules I and II indicate that as of December 31, 2008, a fiscal emergency condition does not exist under section 118.03(A)(4) of the Ohio Revised Code. The accounts payable over 30 days past due did not exceed the available fund balance.

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 Ohio 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 fund balance of each fund as of December 31, 2008, by subtracting all accounts payable and encumbrances from the year-end cash balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Ohio Revised Code. There were no deficit fund balances at December 31, 2008.

Condition Six – Treasury Balances

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 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.

Village of Piketon - Pike County

Report on the Termination of the Village of Piketon Financial Planning and Supervision Commission

We verified the Village's reconciliation of its bank balance to its cashbook balance as of December 31, 2008, which included subtracting the outstanding checks to arrive at the treasury balance. We then determined the aggregate sum of positive fund cash balances of all funds, the purpose of which the unsegregated treasury is held to meet, to determine if a treasury deficit existed. No further calculations were necessary because the treasury balance equaled the sum of all cash balances.

Schedule III

Treasury Balance
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2008

	Amounts at December 31, 2008
Bank Cash Balances:	
First National Bank	\$1,509,603
Adjustments for:	
Outstanding Checks	(101,262)
Certificates of Deposit	200,000
Total Treasury Balance	<u>1,608,341</u>
Less: Total Positive Cash Balances	
General	292,934
Street Construction	259,384
State Highway	5,615
Permissive Motor Vehicle License Tax	117,406
Police Levy	93,903
Revolving Loan	157,685
Water Operating	186,004
Sewer Operating	490,571
Other Enterprise	4,839
Total Positive Cash Fund Balances	<u>1,608,341</u>
Treasury Deficiency	<u><u>\$0</u></u>

Conclusion: Schedule III indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2008. The treasury balance did not exceed the positive cash balances as of December 31, 2008.

Village of Piketon - Pike County

Report on the Termination of the Village of Piketon Financial Planning and Supervision Commission

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. The sole objective listed in the financial plan, which has been met, was to eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Ohio Revised Code.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding fiscal crises in the future. A five-year forecast is required under 118.27(A)(4) of the Ohio Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding 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 herein.

APPENDIX A

Village of Piketon
Pike County

Financial Forecast

For the Years Ending December 31, 2009 Through December 31, 2013

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Village of Piketon - Pike County

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Mary Taylor, CPA
Auditor of State

Village Council
Village of Piketon
P.O. Box 547
Piketon, Ohio 45661

Based upon the requirement set forth in Section 118.27 (A)(4) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures and changes in fund balances of the various funds of the Village of Piketon, which encompass the five years ending December 31, 2013. These statements are presented on the cash basis of accounting used by the Village of Piketon rather than on generally accepted accounting principles. The Village of Piketon's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

This report is intended solely for the use of the Village of Piketon and the Financial Planning and Supervision Commission of Piketon and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

August 31, 2009

Local Government Services Section
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Village of Piketon - Pike County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2006 through 2008, Actual
and Ending December 31, 2009 through 2013, Forecasted

General Fund

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
Revenues				
Property Taxes	\$61,600	\$64,000	\$63,500	\$55,000
Municipal Income Taxes	81,400	101,700	114,200	112,500
Intergovernmental Revenue	111,600	112,300	111,900	122,600
Fines, Licenses and Permits	6,700	10,400	2,100	61,100
Interest	3,300	3,700	5,600	7,000
Miscellaneous	5,000	8,200	6,200	1,000
<i>Total Revenues</i>	<u>269,600</u>	<u>300,300</u>	<u>303,500</u>	<u>359,200</u>
Expenditures				
<i>General Government</i>				
Mayor's Office				
Personal Services	5,200	5,100	14,400	23,000
Fringe Benefits	2,200	2,800	4,600	4,400
Contractual Services	66,500	49,400	37,800	55,300
Materials and Supplies	9,800	5,100	4,000	14,000
Capital Outlay	14,700	28,300	0	0
Total Mayor's Office	<u>98,400</u>	<u>90,700</u>	<u>60,800</u>	<u>96,700</u>
Council				
Personal Services	3,500	2,900	4,500	4,400
Fringe Benefits	0	400	700	800
Total Council	<u>3,500</u>	<u>3,300</u>	<u>5,200</u>	<u>5,200</u>
Mayor's Court				
Personal Services	24,300	23,800	24,500	25,500
Fringe Benefits	4,100	4,800	5,200	6,500
Contractual Services	0	0	0	0
Materials and Supplies	1,000	200	300	800
Total Mayor's Court	<u>29,400</u>	<u>28,800</u>	<u>30,000</u>	<u>32,800</u>
Legal Counsel				
Personal Services	6,700	9,800	10,000	10,000
Fringe Benefits	1,000	1,400	1,500	1,900
Contractual Services	500	500	0	0
Total Legal Counsel	<u>8,200</u>	<u>11,700</u>	<u>11,500</u>	<u>11,900</u>
Clerk-Treasurer				
Personal Services	9,800	12,500	16,100	16,000
Fringe Benefits	1,500	2,500	2,500	3,100
Contractual Services	400	300	1,400	5,600
Total Clerk-Treasurer	<u>11,700</u>	<u>15,300</u>	<u>20,000</u>	<u>24,700</u>
Property Tax Collection Fees				
Contractual Services	1,500	1,000	400	2,000
<i>Total General Government</i>	<u>152,700</u>	<u>150,800</u>	<u>127,900</u>	<u>173,300</u>
<i>Community Environment</i>				
Zoning and Planning				
Personal Services	6,700	7,300	7,100	7,400
Fringe Benefits	900	1,000	1,100	1,400
Contractual Services	800	500	100	100
Materials and Supplies	0	300	0	200
<i>Total Community Environment</i>	<u>\$8,400</u>	<u>\$9,100</u>	<u>\$8,300</u>	<u>\$9,100</u>

2010 Forecasted	2011 Forecasted	2012 Forecasted	2013 Forecasted
\$55,000	\$55,000	\$55,000	\$55,000
112,500	112,500	112,500	112,500
100,000	100,000	123,700	100,000
61,100	61,100	61,100	61,100
7,000	7,000	7,000	7,000
1,000	1,000	1,000	800
336,600	336,600	360,300	336,400
23,300	23,600	23,900	24,200
4,500	4,500	4,600	4,700
37,200	37,800	38,500	39,300
14,000	14,000	14,000	14,000
0	0	0	0
79,000	79,900	81,000	82,200
7,200	7,200	7,200	7,200
1,400	1,400	1,400	1,400
8,600	8,600	8,600	8,600
26,000	26,600	27,200	27,800
6,800	7,100	7,400	7,700
2,000	2,000	2,000	2,000
800	800	800	800
35,600	36,500	37,400	38,300
10,000	10,000	10,000	10,000
1,900	1,900	1,900	1,900
0	0	0	0
11,900	11,900	11,900	11,900
16,000	16,000	16,000	16,000
3,100	3,100	3,100	3,100
7,800	5,600	7,800	5,600
26,900	24,700	26,900	24,700
2,000	2,000	2,000	2,000
164,000	163,600	167,800	167,700
7,700	7,900	8,100	8,400
1,500	1,500	1,600	1,600
500	500	500	500
200	200	200	200
\$9,900	\$10,100	\$10,400	\$10,700

(continued)

Village of Piketon - Pike County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Cash Basis
For the Years Ended December 31, 2006 through 2008, Actual
and Ending December 31, 2009 through 2013, Forecasted

General Fund
(continued)

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
<i>Transportation</i>				
<i>Street</i>				
Personal Services	\$17,100	\$21,200	\$44,800	\$46,700
Fringe Benefits	3,900	5,500	9,600	12,400
Contractual Services	600	400	0	0
Materials and Supplies	1,100	3,500	2,500	7,000
<i>Total Transportation</i>	<u>22,700</u>	<u>30,600</u>	<u>56,900</u>	<u>66,100</u>
<i>Security of Persons and Property</i>				
<i>Street Lighting</i>				
Contractual Services	19,500	19,700	20,500	21,900
<i>Capital Outlay</i>				
Capital Outlay	0	75,000	0	25,900
<i>Debt Service</i>				
Principal	0	1,700	4,100	5,400
Interest and Fiscal Charges	0	800	1,900	1,900
<i>Total Debt Service</i>	<u>0</u>	<u>2,500</u>	<u>6,000</u>	<u>7,300</u>
<i>Total Expenditures</i>	<u>203,300</u>	<u>287,700</u>	<u>219,600</u>	<u>303,600</u>
<i>Excess of Revenues Over Expenditures</i>	<u>66,300</u>	<u>12,600</u>	<u>83,900</u>	<u>55,600</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	0	58,000	0	0
Transfers Out	(11,000)	0	0	(60,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(11,000)</u>	<u>58,000</u>	<u>0</u>	<u>(60,000)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	55,300	70,600	83,900	(4,400)
<i>Beginning Cash Balance</i>	77,400	132,700	203,300	287,200
<i>Ending Cash Balance</i>	<u>\$132,700</u>	<u>\$203,300</u>	<u>\$287,200</u>	<u>\$282,800</u>

2010 Forecasted	2011 Forecasted	2012 Forecasted	2013 Forecasted
\$48,100	\$49,500	\$51,000	\$52,600
13,000	13,600	14,300	15,000
0	0	0	0
7,000	7,000	7,000	7,000
<u>68,100</u>	<u>70,100</u>	<u>72,300</u>	<u>74,600</u>
<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
<u>16,000</u>	<u>16,000</u>	<u>46,000</u>	<u>16,000</u>
6,700	6,900	22,000	21,500
1,800	1,500	2,900	2,100
<u>8,500</u>	<u>8,400</u>	<u>24,900</u>	<u>23,600</u>
<u>291,500</u>	<u>293,200</u>	<u>346,400</u>	<u>317,600</u>
<u>45,100</u>	<u>43,400</u>	<u>13,900</u>	<u>18,800</u>
0	0	0	0
<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>
<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>
(14,900)	(16,600)	(46,100)	(41,200)
<u>282,800</u>	<u>267,900</u>	<u>251,300</u>	<u>205,200</u>
<u>\$267,900</u>	<u>\$251,300</u>	<u>\$205,200</u>	<u>\$164,000</u>

Village of Piketon - Pike County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2006 through 2008, Actual
and Ending December 31, 2009 through 2013, Forecasted

Street Construction, Maintenance and Repair Special Revenue Fund

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
Revenues				
Municipal Income Taxes	\$81,400	\$122,100	\$138,300	\$135,000
Intergovernmental Revenue	19,000	23,700	486,900	31,700
Interest	0	400	0	0
Miscellaneous	0	300	1,500	1,000
<i>Total Revenues</i>	<u>100,400</u>	<u>146,500</u>	<u>626,700</u>	<u>167,700</u>
Expenditures				
<i>Transportation</i>				
Street Construction, Maintenance and Repair				
Personal Services	26,700	26,600	30,700	50,100
Fringe Benefits	5,100	5,200	6,600	12,700
Contractual Services	7,700	7,900	7,900	8,700
Materials and Supplies	12,500	13,500	19,000	25,000
Capital Outlay	42,300	83,900	547,500	187,500
<i>Total Transportation</i>	<u>94,300</u>	<u>137,100</u>	<u>611,700</u>	<u>284,000</u>
<i>Debt Service</i>				
Principal	0	42,300	19,600	21,400
Interest and Fiscal Charges	0	1,600	8,400	7,800
<i>Total Debt Service</i>	<u>0</u>	<u>43,900</u>	<u>28,000</u>	<u>29,200</u>
<i>Total Expenditures</i>	<u>94,300</u>	<u>181,000</u>	<u>639,700</u>	<u>313,200</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>6,100</u>	<u>(34,500)</u>	<u>(13,000)</u>	<u>(145,500)</u>
Other Financing Sources				
Debt Proceeds	0	275,300	0	0
Transfers In	11,000	0	0	0
<i>Total Other Financing Sources</i>	<u>11,000</u>	<u>275,300</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	17,100	240,800	(13,000)	(145,500)
<i>Beginning Cash Balance</i>	<u>14,300</u>	<u>31,400</u>	<u>272,200</u>	<u>259,200</u>
<i>Ending Cash Balance</i>	<u>\$31,400</u>	<u>\$272,200</u>	<u>\$259,200</u>	<u>\$113,700</u>

2010 Forecasted	2011 Forecasted	2012 Forecasted	2013 Forecasted
\$135,000	\$135,000	\$135,000	\$135,000
30,000	30,000	30,000	30,000
0	0	0	0
1,000	1,000	1,000	1,000
166,000	166,000	166,000	166,000
51,600	53,100	54,600	56,200
13,300	14,000	14,600	15,400
8,700	8,700	8,700	8,700
25,000	25,000	25,000	25,000
40,000	40,000	40,000	50,000
138,600	140,800	142,900	155,300
23,400	24,300	24,000	23,600
7,100	6,200	5,300	4,400
30,500	30,500	29,300	28,000
169,100	171,300	172,200	183,300
(3,100)	(5,300)	(6,200)	(17,300)
0	0	0	0
0	0	0	0
0	0	0	0
(3,100)	(5,300)	(6,200)	(17,300)
113,700	110,600	105,300	99,100
\$110,600	\$105,300	\$99,100	\$81,800

Village of Piketon - Pike County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2006 through 2008, Actual
and Ending December 31, 2009 through 2013, Forecasted

Police Levy Special Revenue Fund

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
Revenues				
Property Taxes	\$74,700	\$74,000	\$71,700	\$63,000
Municipal Income Taxes	162,700	61,000	65,100	112,500
Charges for Services	12,700	12,500	12,200	14,000
Intergovernmental Revenue	6,700	5,000	14,900	16,100
Fines and Forfeitures	77,200	80,800	59,300	0
Miscellaneous	4,700	4,400	17,600	0
<i>Total Revenues</i>	<u>338,700</u>	<u>237,700</u>	<u>240,800</u>	<u>205,600</u>
Expenditures				
<i>Security of Persons and Property</i>				
<i>Police</i>				
Personal Services	82,900	108,700	124,200	141,700
Fringe Benefits	13,700	19,400	23,300	25,000
Contractual Services	14,100	12,500	23,500	18,500
Materials and Supplies	26,800	31,400	35,900	41,700
Capital Outlay	52,000	39,500	0	0
<i>Total Security of Persons and Property</i>	<u>189,500</u>	<u>211,500</u>	<u>206,900</u>	<u>226,900</u>
<i>Debt Service</i>				
Principal	11,100	17,100	28,200	23,800
Interest and Fiscal Charges	1,200	1,300	2,100	1,700
<i>Total Debt Service</i>	<u>12,300</u>	<u>18,400</u>	<u>30,300</u>	<u>25,500</u>
<i>Total Expenditures</i>	<u>201,800</u>	<u>229,900</u>	<u>237,200</u>	<u>252,400</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>136,900</u>	<u>7,800</u>	<u>3,600</u>	<u>(46,800)</u>
Other Financing Sources				
Debt Proceeds	52,000	34,000	0	0
Transfers In	35,000	0	0	60,000
<i>Total Other Financing Sources</i>	<u>87,000</u>	<u>34,000</u>	<u>0</u>	<u>60,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	223,900	41,800	3,600	13,200
<i>Beginning Cash (Deficit) Balance</i>	<u>(175,500)</u>	<u>48,400</u>	<u>90,200</u>	<u>93,800</u>
<i>Ending Cash Balance</i>	<u><u>\$48,400</u></u>	<u><u>\$90,200</u></u>	<u><u>\$93,800</u></u>	<u><u>\$107,000</u></u>

2010 Forecasted	2011 Forecasted	2012 Forecasted	2013 Forecasted
\$63,000	\$63,000	\$63,000	\$63,000
112,500	112,500	112,500	112,500
14,000	14,000	14,000	14,000
16,100	13,600	12,600	11,900
0	0	0	0
0	0	0	0
<u>205,600</u>	<u>203,100</u>	<u>202,100</u>	<u>201,400</u>
145,900	150,300	154,800	159,400
25,700	26,500	27,300	28,100
21,000	19,500	22,500	21,000
40,000	40,000	40,000	40,000
0	0	0	0
<u>232,600</u>	<u>236,300</u>	<u>244,600</u>	<u>248,500</u>
28,500	20,100	20,100	19,700
1,900	1,100	1,100	1,500
<u>30,400</u>	<u>21,200</u>	<u>21,200</u>	<u>21,200</u>
263,000	257,500	265,800	269,700
<u>(57,400)</u>	<u>(54,400)</u>	<u>(63,700)</u>	<u>(68,300)</u>
0	0	0	0
60,000	60,000	60,000	60,000
<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
2,600	5,600	(3,700)	(8,300)
107,000	109,600	115,200	111,500
<u>\$109,600</u>	<u>\$115,200</u>	<u>\$111,500</u>	<u>\$103,200</u>

Village of Piketon - Pike County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2006 through 2008, Actual
and Ending December 31, 2009 through 2013, Forecasted

Capital Improvement Fund

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
Revenues	\$0	\$0	\$0	\$0
Expenditures				
<i>Capital Outlay</i>				
Capital Outlay	0	0	0	58,000
<i>Excess of Revenues Under Expenditures</i>	0	0	0	(58,000)
Other Financing Sources				
Debt Proceeds	0	0	0	58,000
<i>Excess of Revenues and Other Financing Sources Over Expenditures</i>	0	0	0	0
<i>Beginning Cash Balance</i>	0	0	0	0
<i>Ending Cash Balance</i>	\$0	\$0	\$0	\$0

2010 Forecasted	2011 Forecasted	2012 Forecasted	2013 Forecasted
\$0	\$0	\$0	\$0
30,000	0	80,000	30,000
(30,000)	0	(80,000)	(30,000)
30,000	0	80,000	30,000
0	0	0	0
0	0	0	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Village of Piketon - Pike County
Statement of Revenues, Expenses and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2006 through 2008, Actual
and Ending December 31, 2009 through 2013, Forecasted

Water Operating Enterprise Fund

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
Operating Revenues				
Charges for Services	\$192,000	\$210,400	\$201,100	\$196,300
Operating Expenses				
Personal Services	35,000	35,800	52,200	20,100
Fringe Benefits	6,900	12,600	23,600	10,300
Contractual Services	50,000	55,300	48,200	56,000
Materials and Supplies	23,500	35,300	30,800	30,000
Capital Outlay	19,600	69,200	405,700	10,000
<i>Total Operating Expenses</i>	<u>135,000</u>	<u>208,200</u>	<u>560,500</u>	<u>126,400</u>
<i>Operating Income (Loss)</i>	<u>57,000</u>	<u>2,200</u>	<u>(359,400)</u>	<u>69,900</u>
Non-Operating Revenues (Expenses)				
Municipal Income Taxes	0	122,100	136,200	90,000
Capital Grants	0	0	246,100	43,500
Other	100	500	100	0
Principal Payments	(8,700)	(2,900)	(5,800)	(61,600)
Interest and Fiscal Charges	0	0	0	(100)
Debt Proceeds	0	0	0	27,200
Transfers In	0	0	0	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(8,600)</u>	<u>119,700</u>	<u>376,600</u>	<u>99,000</u>
<i>Excess of Operating Income (Loss) Over (Under) Non-Operating Revenues (Expenses)</i>	48,400	121,900	17,200	168,900
<i>Beginning Cash (Deficit) Balance</i>	<u>(1,500)</u>	<u>46,900</u>	<u>168,800</u>	<u>186,000</u>
<i>Ending Cash Balance</i>	<u><u>\$46,900</u></u>	<u><u>\$168,800</u></u>	<u><u>\$186,000</u></u>	<u><u>\$354,900</u></u>

2010 Forecasted	2011 Forecasted	2012 Forecasted	2013 Forecasted
\$196,300	\$196,300	\$196,300	\$196,300
20,700	21,300	21,900	22,500
11,000	11,800	12,700	13,700
59,000	62,000	62,000	64,100
30,200	30,400	30,600	30,800
76,000	82,600	89,900	10,000
196,900	208,100	217,100	141,100
(600)	(11,800)	(20,800)	55,200
90,000	90,000	90,000	90,000
0	0	0	0
0	0	0	0
(54,500)	(9,600)	(19,200)	(18,000)
(200)	(100)	0	0
0	0	0	0
0	0	0	0
35,300	80,300	70,800	72,000
34,700	68,500	50,000	127,200
354,900	389,600	458,100	508,100
\$389,600	\$458,100	\$508,100	\$635,300

Village of Piketon - Pike County
Statement of Revenues, Expenses and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2006 through 2008, Actual
and Ending December 31, 2009 through 2013, Forecasted

Shyville Road Waterline Extension Enterprise Fund

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
Operating Revenues	\$0	\$0	\$0	\$0
Operating Expenses				
Capital Outlay	0	0	0	0
<i>Operating Loss</i>	0	0	0	0
Non-Operating Revenues				
Capital Grants	0	0	0	0
Debt Proceeds	0	0	0	0
<i>Total Non-Operating Revenues</i>	0	0	0	0
<i>Excess of Operating Loss Over Non-Operating Revenues</i>	0	0	0	0
<i>Beginning Cash Balance</i>	0	0	0	0
<i>Ending Cash Balance</i>	\$0	\$0	\$0	\$0

2010 Forecasted	2011 Forecasted	2012 Forecasted	2013 Forecasted
\$0	\$0	\$0	\$0
0	1,331,500	0	0
0	(1,331,500)	0	0
0	1,115,200	0	0
0	216,300	0	0
0	1,331,500	0	0
0	0	0	0
0	0	0	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Village of Piketon - Pike County
Statement of Revenues, Expenses and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2006 through 2008, Actual
and Ending December 31, 2009 through 2013, Forecasted

Sewer Operating Enterprise Fund

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
Operating Revenues				
Charges for Services	\$384,000	\$383,000	\$396,600	\$378,400
Operating Expenses				
Personal Services	58,900	63,200	27,500	33,500
Fringe Benefits	17,000	15,600	6,500	13,600
Contractual Services	67,000	74,600	89,300	131,500
Materials and Supplies	26,900	48,900	17,700	31,400
Capital Outlay	90,500	131,500	24,900	55,100
<i>Total Operating Expenses</i>	<u>260,300</u>	<u>333,800</u>	<u>165,900</u>	<u>265,100</u>
<i>Operating Income (Loss)</i>	<u>123,700</u>	<u>49,200</u>	<u>230,700</u>	<u>113,300</u>
Non-Operating Revenues (Expenses)				
Capital Grants	0	100,000	0	0
Interest Revenue	0	0	5,300	0
Other	25,000	0	0	0
Principal Payments	(78,900)	(83,800)	(89,200)	(96,100)
Interest and Fiscal Charges	(53,800)	(49,500)	(44,900)	(39,900)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(107,700)</u>	<u>(33,300)</u>	<u>(128,800)</u>	<u>(136,000)</u>
<i>Excess of Operating Income (Loss) Over Non-Operating Revenues (Expenses)</i>	16,000	15,900	101,900	(22,700)
<i>Beginning Cash Balance</i>	<u>356,600</u>	<u>372,600</u>	<u>388,500</u>	<u>490,400</u>
<i>Ending Cash Balance</i>	<u>\$372,600</u>	<u>\$388,500</u>	<u>\$490,400</u>	<u>\$467,700</u>

<u>2010</u> <u>Forecasted</u>	<u>2011</u> <u>Forecasted</u>	<u>2012</u> <u>Forecasted</u>	<u>2013</u> <u>Forecasted</u>
<u>\$378,400</u>	<u>\$378,400</u>	<u>\$378,400</u>	<u>\$378,400</u>
44,300	45,500	46,700	48,000
16,800	17,900	19,000	20,300
129,100	131,500	138,800	142,200
31,600	31,700	31,900	32,100
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>221,800</u>	<u>226,600</u>	<u>236,400</u>	<u>242,600</u>
<u>156,600</u>	<u>151,800</u>	<u>142,000</u>	<u>135,800</u>
0	0	0	0
0	0	0	0
0	0	0	0
(103,500)	(110,400)	(116,500)	(123,200)
<u>(34,600)</u>	<u>(28,600)</u>	<u>(22,200)</u>	<u>(15,400)</u>
<u>(138,100)</u>	<u>(139,000)</u>	<u>(138,700)</u>	<u>(138,600)</u>
18,500	12,800	3,300	(2,800)
<u>467,700</u>	<u>486,200</u>	<u>499,000</u>	<u>502,300</u>
<u>\$486,200</u>	<u>\$499,000</u>	<u>\$502,300</u>	<u>\$499,500</u>

Village of Piketon - Pike County
Statement of Revenues, Expenses and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2006 through 2008, Actual
and Ending December 31, 2009 through 2013, Forecasted

Sewer Plant Improvement Enterprise Fund

	2006 Actual	2007 Actual	2008 Actual	2009 Forecasted
Operating Revenues	\$0	\$0	\$0	\$0
Operating Expenses				
Capital Outlay	0	0	0	204,500
<i>Operating Income (Loss)</i>	0	0	0	(204,500)
Non-Operating Revenues				
Capital Grants	0	0	0	204,500
<i>Excess of Operating Loss Over Non-Operating Revenues</i>	0	0	0	0
<i>Beginning Cash Balance</i>	0	0	0	0
<i>Ending Cash Balance</i>	\$0	\$0	\$0	\$0

2010 Forecasted	2011 Forecasted	2012 Forecasted	2013 Forecasted
\$0	\$0	\$0	\$0
409,100	0	0	0
(409,100)	0	0	0
409,100	0	0	0
0	0	0	0
0	0	0	0
\$0	\$0	\$0	\$0

Village of Piketon – Pike County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2009 through 2013

Note 1 – The Village

The Village of Piketon (the Village) is located in Pike County, Ohio, approximately 60 miles south of the City of Columbus and has a population of approximately 1,900. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is governed by a six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term.

On July 8, 2004, the Auditor of State's office declared the Village of Piketon to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor, Council President, three individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer's Office and the Office of Budget and Management. This Commission is required to adopt a financial recovery plan for the Village. Once the plan has been adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Piketon provides general governmental services, including police protection services. The Village's departments include administration, street, police, water, and sewer. The administration includes the Mayor, Clerk-Treasurer, Administrator, and Solicitor. The operation of each of these activities is directly controlled by the Village Council through the budgetary process.

Note 2 – Nature of Presentation

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues and expenditures and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of August 31, 2009, the date of the forecast, the expected conditions, and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances do not occur as expected and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. These funds include the General Fund, the Street Construction, Maintenance and Repair and the Police Levy Special Revenue Funds, the Capital Improvement Capital Projects Fund, and the Water Operating, the Shyville Road Waterline Extension, the Sewer Operating, and the Sewer Plant Improvement Enterprise Funds.

Note 3 – Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements and encumbrances, which is consistent with the budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenues and related assets are recognized when paid rather than when earned and certain expenditures/expenses are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Village of Piketon – Pike County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2009 through 2013

B. Fund Accounting

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is the concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each fund are as follows:

Governmental Funds

General Fund The General Fund is the operating fund of the Village and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

Street Construction, Maintenance and Repair Fund Accounts for income tax monies and monies received from the State for gasoline and motor vehicle license taxes used for the construction, maintenance, and repair of Village streets.

Police Levy Fund Accounts for property and income tax levies to provide police services.

Capital Projects Funds Capital projects funds are to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Capital Improvement Fund Accounts for various capital acquisitions within the Village.

Proprietary Funds

Enterprise Funds Enterprise funds account for activity for which a fee is charged to external users for goods or services.

Water Operating Fund Accounts for charges for services received from Village residents used for the operations of the Village’s water operations.

Shyville Road Waterline Extension Fund Accounts for grant monies and loan proceeds received for the construction of the waterline extension on Shyville Road.

Sewer Operating Fund Accounts for charges for services received from Village residents used for the operations of the Village’s sewer operations.

Sewer Plant Improvement Fund Accounts for grant monies received for a sewer plant upgrade.

Village of Piketon – Pike County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2009 through 2013

Fiduciary Funds Fiduciary funds account for assets held by the Village in a trustee capacity as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control adopted by the Village is the fund/department/salaries and other expenditures/expenses level for all funds.

Tax Budget A budget of estimated cash receipts and disbursements is submitted to the Pike County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the succeeding year.

Estimated Resources The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated on the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations If the annual appropriation measure for the full year is not ready for approval by Council, a temporary appropriation measure to control cash disbursements must be passed on or about January 1 of each year. A temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Village of Piketon – Pike County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2009 through 2013

Note 4 – General Revenue Assumptions – All Funds

A. Property Taxes

Property taxes are applied to real estate, public utility real and personal assessed property, manufactured homes and tangible personal property used in businesses which are located within the Village. Property taxes are collected for, and distributed to, the Village by the Pike County Auditor and Treasurer. Property taxes are levied in one year (the tax year) and collected in the following year (the collection year). The Village may request advances from the Pike County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues. The Village uses property tax levies to finance General Fund operations and police protection services.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”. Beginning in 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. This change increased real property taxes collected against commercial and industrial property and decreased intergovernmental revenue.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last triennial update was completed in 2008 for taxes collected in 2009. The next reappraisal will take place in 2011 for taxes collected in 2012. Based on current economic conditions, the Village anticipates its real property assessed valuation to remain approximately the same as 2008. The Village’s assessed values upon which property tax receipts were based for the last three years are as follows:

<u>Class of Property</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Real Property			
Residential and Agricultural	\$15,183,980	\$15,596,360	\$17,437,400
Commercial and Industrial	5,798,030	5,676,350	6,047,930
Public Utility Personal Property	1,003,450	919,640	992,050
Tangible Personal Property	969,198	524,840	308,300
Total Assessed Value	<u>\$22,954,658</u>	<u>\$22,717,190</u>	<u>\$24,785,680</u>

Property tax revenues are generated from several levies. The levy type, the fund in which the proceeds are received, the original year approved, the latest renewal year, the first and last years of collection, and the full tax rate are as follows:

<u>Fund</u>	<u>Levy Type</u>	<u>Original Year Approved</u>	<u>First Year of Collection</u>	<u>Total Rate (Per \$1,000 of Assessed Valuation)</u>
General	Inside Millage	n/a	n/a	\$0.75
Police Levy	Continuing Operating	2004	2005	4.00
Total				<u>\$4.75</u>

Village of Piketon – Pike County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2009 through 2013

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of property tax revenues as in the prior calendar year. Increases in voted levy revenues, other than bond levies, are restricted to assessments for new construction. The reduction factors are computed annually and applied separately for residential and agricultural property and commercial and industrial property. Rates applied to tangible personal property are not reduced. The effective residential and agricultural rate and the commercial and industrial rate per \$1,000 of assessed valuation for collection year 2009 is \$0.75 for the general operating levy. The effective residential and agricultural rate per \$1,000 of assessed valuation for collection year 2009 is \$3.14 for the Police Operating Levy. The effective commercial and industrial rate per \$1,000 of assessed valuation for collection year 2009 is \$3.41 for the Police Operating Levy. There has been no significant difference in the effective rates for the Police Operating Levy when compared to prior years.

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies which will be completed in 2011. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimbursed the Village for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Intergovernmental Revenue below).

Real Property Property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast statements represent gross property tax revenue and are based upon anticipated assessed valuations and existing tax levies.

Tangible Personal Property Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the 23 percent assessment rate on business inventory was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 will phase out, by 25 percent each year, tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The State of Ohio will reimburse the Village for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Intergovernmental Revenue below).

Village of Piketon – Pike County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2009 through 2013

B. Municipal Income Taxes

The Village levies an unvoted municipal income tax of one percent on all income earned within the Village as well as income of residents earned outside the Village. The Village allows a credit of 50 percent of income taxes paid to another municipality. Employers within the Village are required to withhold the tax from their employees and remit the tax to the Village quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration and return annually.

Income tax revenues are receipted into the General Fund, Street Construction, Maintenance and Repair Fund, Police Levy Fund and Water Fund. Income tax receipts between 2006 and 2008 increased due to the Village contracting with the Regional Income Tax Authority (RITA) and its continued pursuit of collections. The Village does not anticipate significant changes in the amount of taxable income within the Village due to the types of businesses located within its limits. The Village's primary employers consist of a school district and various small operated businesses. There are no large manufacturing or industrial operations within the Village's limits. Therefore, there are no anticipated decreases in the Village's primary workforce, while no expansion of any businesses are expected due to the nature of their operations. The Village's income tax collections are allocated in the following manner:

Fund	Percent of Income Tax	Estimated Income Tax Revenues 2009 - 2013
General Fund	25.00%	\$112,500
Street Construction, Maintenance, and Repair Fund	30.00%	135,000
Police Levy Fund	25.00%	112,500
Water Operating Fund	20.00%	90,000
Total	<u>100.00%</u>	<u>\$450,000</u>

C. Intergovernmental Revenue

Intergovernmental revenues include local government monies and State allocations to offset the rollback and homestead tax relief programs and the elimination of the tangible personal property tax. The local government funds are distributed monthly by the State to the County Auditor and from the County Auditor to the Village.

Beginning in 2006, the State reimbursed the Village for lost revenue due to the phase out of tangible personal property tax. In years 2006 through 2010, the Village will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. In tax years 2011 through 2017, the reimbursements will be phased out. The reimbursement is made for the base year amount, except that taxing authorities are only reimbursed for inventory property assessment percentage reductions beyond those already in place before the passage of HB 66. This means the Village is only reimbursed for the difference between the prior law and its phase-outs and the phase-outs in HB 66.

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State law grants tax relief in the form of a 10 percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs. In 2006, the State eliminated the 10 percent rollback on commercial and industrial real property.

The State exempts the first \$10,000 in personal property from taxation. The State reimburses the Village for the lost revenue. Beginning with tax year 2004, the State phased out the reimbursement by 10 percent each year. Under HB 66, the phase out period has been accelerated. The last reimbursement for this exemption was in October 2008.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The report recommends replacing the percentage-of-tax methodology with a percentage-of-tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. The recommendation was included in the State Budget bill for fiscal years 2008 and 2009. As part of the change, the Local Government Revenue Assistance program was eliminated.

In tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount.

Note 5 – Specific Fund Revenue Assumptions

A. General Fund

Fines, Licenses and Permits Fines, licenses and permits represents revenues received from the public for building permit fees and revenues from ordinance fines and court costs. The Village estimated a decrease in collection for permit fees due to a reduction in the cost per permit and that the Village expects a minimum amount of construction during the forecast period. Fines and court costs are anticipated to remain consistent with 2008 collections during the forecasted period. Beginning in 2009, ordinance fines and court costs are recorded in the General Fund in accordance with State statutes. In prior years, this revenue was recorded in the Police Levy Fund.

B. Street Construction, Maintenance and Repair Fund

Intergovernmental Revenue Intergovernmental revenue consists of gasoline taxes and motor vehicle license fees. The forecast anticipates no annual growth in revenues relating to gasoline taxes and motor vehicle license fees for the forecast period. In 2008, the Village recorded a grant from the Ohio Public Works Commission for the completion of the Pike Hill construction project.

Debt Proceeds Debt proceeds of \$275,310 in 2007 assisted the Village in funding its portion of the Pike Hill construction project.

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C. Police Levy Fund

Charges for Services The Village has a police protection contract with Pike Metropolitan Housing Authority. The Village patrols two locations within the Village limits for an hourly rate for a maximum of 18 hours per week. The Village anticipates such revenues to increase during the forecasted period due to renegotiation of the contract in 2009.

Intergovernmental Revenue Intergovernmental revenues consist of State allocations to offset the rollback and homestead relief programs and the elimination of the tangible personal property tax, as mentioned above. It also includes a Bulletproof Vest Grant during 2009 and 2010.

Fines and Forfeitures Fines and forfeitures represent revenues derived from the Village's policing services. In years 2006 through 2008, such monies were receipted into the Police Levy Fund. However, during the forecasted period, these revenues will be receipted into the General Fund as required by State statute.

Transfers In Transfers in represents monies being received from the General Fund for the operations of the police force within the Village.

D. Capital Improvement Fund

Debt Proceeds Debt proceeds of \$30,000 are forecasted for years 2009, 2010, 2012, and 2013 for the purchase of new police vehicles. The Village anticipates purchasing a new pickup truck in 2009 via debt issued for \$28,000. The Village also anticipates purchasing a backhoe in 2012 via debt issued for \$50,000.

E. Water Operating Fund

Operating Revenues Charges for services consist of tap-in fees and user fees charged to Village residents for water service. Revenue for tap-in fees has been estimated to be zero during the forecast period due to the Village expecting minimal increases in customers. In 2006, the Village increased its minimum water rate by \$4 for the first 2,500 gallons but does not anticipate future rate increases.

Non-Operating Revenues Capital grants consist of an Appalachian Regional Commission Grant and Ohio Public Works Commission Grants. In 2008, the Village was awarded grant monies totaling \$289,607 from the Appalachian Regional Commission and the Ohio Public Works Commission for a water plant upgrade. The Village received a portion of these monies during 2008 and will receive the remainder in 2009. Debt proceeds of \$27,200 are forecasted for 2009 for the completion of the water plant upgrade.

F. Shyville Road Waterline Extension Fund

Non-Operating Revenues Capital grants consist of monies the Village plans to receive in 2011 from various sources from various grantors for the Shyville Road Waterline Extension Project. Debt proceeds of \$216,300 are also forecasted for the Shyville Road Waterline Extension Project.

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G. Sewer Operating Fund

Operating Revenues Charges for services consist of tap-in fees and user fees charged to Village residents for sewer service. The Village does not anticipate future rate increases relating to its sewer charges.

Non-Operating Revenues Capital grants consist of an Ohio Public Works Commission Grants. In 2007, the Village was awarded a \$100,000 capital improvement grant through the Ohio Public Works Commission for a multi-pump station renovation.

H. Sewer Plant Improvement Fund

Non-Operating Revenues Capital grants consist of a Community Development Block Grant, an Appalachian Regional Commission Grant, and an Ohio Public Works Commission Grant. For 2009 and 2010, the Village has entered into an agreement with the Pike County Commissioners for a sewer plant upgrade. Pike County has agreed to upgrade the Village's sewer system in order to provide services to the citizens of Pike County and incur all costs associated with the project.

Note 6 – General Expenditure Assumptions – All Funds

A. Personal Services

Personal Services include the salaries and wages paid to the employees and elected officials of the Village. All employees receive their compensation on a bi-weekly basis except the Mayor, Solicitor, Magistrate, Zoning Officer, and Council who are paid monthly.

Village Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave for employees. Employees of the Mayor's Court and Street Department are classified as full-time employees. All other hourly employees are classified as part-time employees. All employee salaries, except elected officials, are expected to increase at a rate of three percent each year of the forecast period. The forecast anticipates salaries of all Council members to be equal in 2010, with an annual salary of \$1,200 per member. Council approved an increase of \$700 per member in 2008. As each member's term expires, the annual salary of the newly elected official will increase from \$500 to \$1,200 annually. The forecast also anticipates an employee of the Sewer Department becoming a full-time employee in 2010.

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The following table identifies Village employee salary estimates by fund for 2009 calendar year with allocations to salaries being made in line with historical averages:

Employee	Annual Salary	Fund				
		General	Street Construction, Maintenance and Repair	Police	Water	Sewer
Mayor	\$12,000	\$12,000	\$0	\$0	\$0	\$0
Council Members (6)	4,400	4,400	0	0	0	0
Village Administrator	43,900	11,000	11,000	0	10,900	11,000
Clerk-Treasurer	16,000	16,000	0	0	0	0
Mayor's Court Clerk	18,300	18,300	0	0	0	0
Magistrate	7,200	7,200	0	0	0	0
Solicitor	10,000	10,000	0	0	0	0
Zoning Officer	7,400	7,400	0	0	0	0
Chief of Police	30,300	0	0	30,300	0	0
Part-Time Police Officers	105,200	0	0	111,400	0	0
Water and Sewer Clerk	18,300	0	0	0	9,200	9,100
40 Hr/Week Laborers*	85,800	46,700	39,100	0	0	0
30 Hr/Week Laborer	13,400	0	0	0	0	13,400
Total	\$372,200	\$133,000	\$50,100	\$141,700	\$20,100	\$33,500

* General Fund portions of the laborers are included in the Street Department.

B. Fringe Benefits

Fringe benefits include employer contributions to the State pension systems, health care insurance benefits, workers' compensation, and Medicare.

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits for OPERS are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent of their annual covered wages and the Village is required to contribute 14 percent of annual covered wages. Contributions are paid from the funds from which the employees are paid.

The Village contributes to the Ohio Police and Fire Pension Fund (OPFPF), a cost-sharing, multiple-employer defined benefit pension plan. OPFPF provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits for OPFPF are established by Chapter 742 of the Ohio Revised Code. The Police Chief is the only full-time employee contributing to OPFPF. He is required to contribute 10 percent of his annual covered wages and the Village is required to contribute 19.5 percent of annual covered wages. Part-time police officers contribute to OPERS.

The Village pays for 75 percent and 50 percent of the health insurance premiums for all full-time and part-time employees, respectively. For the forecasted period, the only employees anticipated to receive health care benefits are the Mayor's Court Clerk, the Water and Sewer Clerk, two 40 hr/week laborers, and the 30 hr/week laborer. Health insurance premiums are estimated to be \$21,600 in 2009 and are anticipated to increase at a rate of 10 percent annually.

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Workers' compensation is forecasted to be \$14,200 in 2009 and expected to increase at the same rate as salaries each year during the forecasted period.

Note 7 – Specific Fund Expenditure Assumptions

A. General Fund

General Government

Mayor's Office Contractual services consist of utilities, various professional services, property and casualty insurance, and annual dues. Contractual services expenditures varied significantly in 2006 through 2008 due to the Village incurring a significant amount of legal expenses relating to the annexation of property in years 2006 and 2007. Contractual services are anticipated to remain consistent during the forecasted period with one exception. In 2009, the Village anticipates incurring a one-time expenditure for a revitalization plan. The cost of the plan will be spread over four funds with the General Fund's portion being \$18,750.

Materials and supplies expenditures include office supplies, postage, and miscellaneous items. In 2006 and 2007, the Village paid for significant park improvements from this account. Materials and supplies expenditures are anticipated to remain constant during the forecasted period.

Clerk-Treasurer's Office Contractual services consist of Uniform Accounting Network fees and audit services. The Village has a two-year audit cycle. Therefore, contractual services are anticipated to remain consistent during the forecasted period.

Transportation

Street The most significant expenditure is road salt. Due to the variable weather conditions through the winter months, the Village has estimated conservatively on the amount of monies needed to maintain the roads during harsh weather.

Security of Persons and Property

Street Lighting Contractual services consist of electric service for the street lights. The Village anticipates slight increases in expenditures in years 2009 and 2010 due to a rate increase; however, the Village anticipates expenditures in 2011 through 2013 to remain consistent with 2010 since the rate increase was only approved through 2010.

Capital Outlay

Capital Outlay The Village intends to construct restroom facilities at the Lucas Street Park in 2009 for an estimated cost of \$9,900. Also, in 2012, the Village intends to purchase playground equipment for use at Lucas Street Park. The estimated cost of the equipment is \$30,000. Each year, beginning in 2009, the Village also anticipates spending \$16,000 for renovations to various Village buildings.

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Debt Service

The General Fund will make debt service principal and interest payments for a lease purchase agreement for the purchase of a building, as well as payments anticipated to be made for the purchase of a new pickup truck and backhoe. The following table reflects the estimated principal and interest payments from the General Fund:

Year Ending December 31,	Lease Purchase Principal	Lease Purchase Interest	Pickup Truck Principal	Pickup Truck Interest	Backhoe Principal	Backhoe Interest
2009	\$4,300	\$1,800	\$1,100	\$100	\$0	\$0
2010	4,400	1,600	2,300	200	0	0
2011	4,500	1,400	2,400	100	0	0
2012	4,800	1,300	1,200	0	16,000	1,600
2013	4,800	1,100	0	0	16,700	1,000
2014-2018	27,200	3,000	0	0	17,300	400
2019-2023	2,200	0	0	0	0	0
Total	<u>\$52,200</u>	<u>\$10,200</u>	<u>\$7,000</u>	<u>\$400</u>	<u>\$50,000</u>	<u>\$3,000</u>

Other Financing Uses

Transfers Out The General Fund will incur transfers out during the forecasted period due to monies received in by the Mayor’s Court being transferred to the Police Levy Fund for operations.

B. Street Construction, Maintenance and Repair Fund

Transportation The Village anticipates expenditures for contractual services to remain consistent with the previous years’ expenditures. Materials and supplies are anticipated to increase in 2009 and remain at that level for the forecast period. The Village will be completing a road project and the installation of a traffic signal during the forecast period. The estimated cost of the project is \$147,500 and is anticipated to be completed in 2009. The Village also anticipates expenditures of \$40,000 in years 2009 through 2012 and \$50,000 in 2013 for routine road maintenance.

Debt Service The Street Construction, Maintenance and Repair Fund will make debt service principal and interest payments for an Ohio Public Works Commission loan obtained for the Pike Hill construction project as well as payments anticipated to be made for the purchase of a new pickup truck. The following table reflects the principal and interest payments from the Street Construction, Maintenance and Repair Fund:

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Year Ending December 31,	Pike Hill	Pike Hill	Pickup	Pickup
	Construction Project Principal	Construction Project Interest	Truck Principal	Truck Interest
2009	\$20,300	\$7,700	\$1,100	\$100
2010	21,100	6,900	2,300	200
2011	21,900	6,100	2,400	100
2012	22,800	5,300	1,200	0
2013	23,600	4,400	0	0
2014-2018	103,700	8,000	0	0
Total	<u>\$213,400</u>	<u>\$38,400</u>	<u>\$7,000</u>	<u>\$400</u>

C. Police Levy Fund

Security of Persons and Property Contractual services consist of utilities, professional services, property and casualty insurance, audit costs, and vehicle maintenance costs. A significant increase occurred in 2008 in contractual services for costs associated with wireless internet connection services with new computer systems in the police cruisers. Other than bi-annual fluctuations related to audit costs and property and casualty insurance estimates, contractual services are anticipated to remain consistent for the forecasted period. The property and casualty insurance estimates of the Village are anticipated to increase five percent annually.

Materials and supplies include office supplies, fuel purchases, uniforms, ammunition, and miscellaneous purchases for the police vehicles. Materials and supplies expenditures are anticipated to remain consistent during the forecast period. Materials and supplies for 2009 includes the anticipated purchase of bulletproof vests.

Debt Service The Police Levy Fund will make debt service principal and interest payments for police vehicles throughout the forecasted period. The following tables reflect the estimated principal and interest payments from the Police Levy Fund:

Year Ending December 31,	2006 Police	2007 Police	2007 Police	2009 Police	2009 Police
	Vehicle Principal	Vehicle Principal	Vehicle Interest	Vehicle Principal	Vehicle Interest
2009	\$6,100	\$11,300	\$1,000	\$6,400	\$700
2010	0	12,200	500	9,900	700
2011	0	0	0	10,200	400
2012	0	0	0	3,500	0
Total	<u>\$6,100</u>	<u>\$23,500</u>	<u>\$1,500</u>	<u>\$30,000</u>	<u>\$1,800</u>

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Year Ending December 31,	2010 Police	2010 Police	2012 Police	2012 Police	2013 Police	2013 Police
	Vehicle Principal	Vehicle Interest	Vehicle Principal	Vehicle Interest	Vehicle Principal	Vehicle Interest
2009	\$0	\$0	\$0	\$0	\$0	\$0
2010	6,400	700	0	0	0	0
2011	9,900	700	0	0	0	0
2012	10,200	400	6,400	700	0	0
2013	3,500	0	9,800	600	6,400	700
2014-2018	0	0	13,800	400	23,600	1,100
Total	<u>\$30,000</u>	<u>\$1,800</u>	<u>\$30,000</u>	<u>\$1,700</u>	<u>\$30,000</u>	<u>\$1,800</u>

D. Capital Improvement Fund

Capital Outlay Capital outlay expenditures of \$30,000 are forecasted for years 2009, 2010, 2012, and 2013 for the purchase of new police vehicles. The Village anticipates purchasing a new pickup truck in 2009 for \$28,000. The Village also anticipates purchasing a backhoe in 2012 for \$50,000.

E. Water Operating Fund

Operating Expenses Contractual services consist of utilities, professional services, and property and casualty insurance. The property and casualty insurance is estimated to increase five percent annually. Utilities are anticipated to increase significantly during the forecasted period as a result of anticipated rate increases. Telephone services are anticipated to increase at a rate of three percent annually and electric billings are anticipated to increase at a rate of seven percent annually as a result of the ruling by the Ohio Public Utilities Commission to allow for such a significant increase.

Materials and supplies expenses include office supplies, fuel purchases, postage, water chemicals, and miscellaneous water supplies. Materials and supplies are anticipated to increase insignificantly during the forecasted period. In 2007, the Village paid for fire hydrant repairs.

In 2010, 2011, and 2012, the Village intends to renovate existing water wells with estimated costs of \$66,000, \$72,600, and \$79,860, respectively. The Village also expects to spend \$10,000 each year for the repair and maintenance of fire hydrants.

Non-Operating Expenses The Water Fund will make debt service principal and interest payments for a loan obtained from the Ohio Public Works Commission for the water treatment plant upgrade project in 2005 and a loan with Utility Service Company for the Lucas Street Painting project, as well as payments anticipated to be made for the 2008 water plant upgrade, the purchase of a new pickup truck in 2009, and the Shyville Road Waterline Extension Project to be completed in 2011. The following table reflects the estimated principal and interest payments from the Water Fund:

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Year Ending December 31,	2005 Water Treatment Plant Upgrade Principal	Lucas Street Painting Project Principal	2008 Water Plant Upgrade Principal	Pickup Truck Principal	Pickup Truck Interest	Shyville Road Waterline Extension Principal
2009	\$5,800	\$54,000	\$700	\$1,100	\$100	\$0
2010	5,800	45,000	1,400	2,300	200	0
2011	5,800	0	1,400	2,400	100	0
2012	5,800	0	1,400	1,200	0	10,800
2013	5,800	0	1,400	0	0	10,800
2014-2018	29,000	0	6,800	0	0	54,100
2019-2023	29,000	0	6,800	0	0	54,100
2024-2028	8,700	0	6,800	0	0	54,100
2029-2033	0	0	700	0	0	32,500
Total	<u>\$95,700</u>	<u>\$99,000</u>	<u>\$27,400</u>	<u>\$7,000</u>	<u>\$400</u>	<u>\$216,400</u>

F. Shyville Road Waterline Extension Fund

Operating Expenses The Village anticipates capital outlay expenses in 2011 of \$1,331,500 for the Shyville Road Waterline Extension Project.

G. Sewer Operating Fund

Operating Expenses Contractual services consist of utilities, professional services, and property and casualty insurance. Other than bi-annual fluctuations related to audit costs, property and casualty insurance estimates, and utility estimates, contractual services are anticipated to remain relatively consistent for the forecasted period. In prior years, the Village paid for any necessary digester cleanings from another expense account. The Village has chosen to make such expenses in the forecasted period from the contractual services account. Also, in 2009, the Village anticipates incurring a one-time expense for a revitalization plan. The cost of the plan will be spread over numerous funds with the Sewer Fund portion being \$8,750. The property and casualty insurance estimates of the Village are anticipated to increase five percent annually. Utilities of the Village are anticipated to increase significantly during the forecasted period as a result of anticipated rate increases. Telephone services are anticipated to increase at a rate of three percent annually and electric billings are anticipated to increase at a rate of seven percent annually as a result of the ruling by the Ohio Public Utilities Commission to allow for such a significant increase..

Materials and supplies expenses include office supplies, fuel purchases, postage, sewer chemicals, and miscellaneous sewer supplies. These expenses were inconsistent in 2006 through 2008. In 2006 and 2007, the Village had several expenses from this account that are nonrecurring. The Village anticipates spending to be consistent with amounts in 2008 and allows a slight increase due to inflation and an additional \$10,000 per year for replacement parts and other maintenance that may be needed as equipment ages.

The Village anticipates capital outlay expenses of \$55,100 in 2009 for the remaining costs associated with pump replacements at the sewer plant.

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Non-Operating Expenses The Sewer Fund will make debt service principal and interest payments for a loan obtained from the Ohio Water Development Authority for the sewer plant upgrade project in 1989 and a loan obtained from the Ohio Public Works Commission for the wastewater treatment plant upgrade project in 2000, as well as payments anticipated to be made for the purchase of a new pickup truck in 2009. The following tables reflect the estimated principal and interest payments from the Sewer Fund:

Year Ending December 31,	1989 Sewer Plant Upgrade Principal	1989 Sewer Plant Upgrade Interest	2000 Wastewater Treatment Plant Upgrade Principal	Pickup Truck Principal	Pickup Truck Interest
2009	\$77,400	\$39,800	\$17,600	\$1,100	\$100
2010	83,600	34,400	17,600	2,300	200
2011	90,400	28,500	17,600	2,400	100
2012	97,700	22,200	17,600	1,200	0
2013	105,600	15,400	17,600	0	0
2014-2018	114,100	8,000	87,900	0	0
2019-2023	0	0	70,300	0	0
Total	<u>\$568,800</u>	<u>\$148,300</u>	<u>\$246,200</u>	<u>\$7,000</u>	<u>\$400</u>

H. Sewer Plant Improvement Fund

Operating Expenses The Village anticipates capital outlay expenses of \$204,500 in 2009 and \$409,100 in 2010. The Village has entered into an agreement with the Pike County Commissioners for a sewer plant upgrade. Pike County has agreed to upgrade the Village’s sewer system in order to provide services to the citizens of Pike County and incur all costs associated with the project.

Note 8 – Pending Litigation

The Village’s management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 9 – Specific Fund Expenditure Assumptions

The Village has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations

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Mary Taylor, CPA
Auditor of State

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
OCTOBER 15, 2009