



Mary Taylor, CPA
Auditor of State

**Village of Leipsic
Putnam County**

**Fiscal Emergency Analysis
As of December 31, 2009, and May 31, 2010**

Local Government Services

Village of Leipsic, Putnam County

Fiscal Emergency Analysis

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Mary Taylor, CPA Auditor of State

Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the Village of Leipsic pursuant to Section 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the Village of Leipsic as defined in Section 118.03(A)(1), 118.03(A)(5), and 118.03(B) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Larry Place, Fiscal Officer of the Village of Leipsic; Kevin Benton, Mayor of the Village of Leipsic; Sue Schroeder, President Pro Tempore of Council of the Village of Leipsic; Kevin Boyce, Treasurer of State; Jennifer Brunner, Secretary of State; Ted Strickland, Governor; J. Pari Sabety, Director of the Office of Budget and Management; and Robert Benroth, Secretary of the Putnam County Budget Commission.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 16, 2010

Village of Leipsic, Putnam County

Fiscal Emergency Analysis

Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, Mayor Kevin Benton requested that a fiscal analysis be performed by the Auditor of State for the Village of Leipsic, Putnam County (the Village). The purpose of the analysis was to determine if the financial condition of the Village justifies the declaration of a fiscal watch or fiscal emergency.

A village is placed in fiscal emergency if any one of six conditions described in Section 118.03 of the Ohio Revised Code exists. The six conditions are: 1) default on any debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the village which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in village funds; and 6) a sizeable deficiency in the village's treasury when the balance is compared to the positive cash balances of the village's funds.

The existence of the conditions described under Conditions four, five, and six of this report at year-end do not constitute a basis for the declaration of fiscal emergency if the Village clearly demonstrates to the satisfaction of the Auditor of State that the conditions no longer exist at the time of the determination.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2009, and May 31, 2010, the date of determination.

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

The Village's outstanding debt is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>
<u>Current Revenue Notes</u>			
Interim Revenue Notes 2009	4.50%	12/28/09	\$575,000
<u>Development Revenue Bonds</u>			
Development Bond Series 2007-1	4.42	1/25/07	883,000
Development Bond Series 2007-2	variable	1/25/07	327,000
<u>General Obligation Bonds</u>			
Water System Improvement Bonds	4.5-4.75	4/18/07	1,500,000
<u>Mortgage Revenue Bonds</u>			
Waterworks System Mortgage Revenue Bonds	5.00	6/24/97	2,371,000

(continued)

Village of Leipsic, Putnam County

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Debt Issue	Interest Rate	Issue Date	Issue Amount
<u>Loans</u>			
ORDC Railroad	0.00%	11/12/08	\$825,000
OPWC Vine Street Sewer Separation	0.00	7/1/99	105,916
OPWC Eastom and Blank Street Storm Sewer	0.00	5/30/01	136,800
OPWC Orchard Drive Sewer Replacement	0.00	8/15/94	132,399
OWDA Wastewater Treatment Plant Acquisition	7.89	4/13/89	724,507
OWDA Wastewater Treatment Plant Improvements	4.12	9/25/97	5,993,619
OWDA Sanitary Sewer Separation	0.00	10/26/06	5,993,619
OWDA Water Reservoir	5.29	12/11/08	7,600,050

We obtained a list of outstanding debt and the amortization schedules to identify the last scheduled payments due before May 31, 2010, and reviewed the council minutes for any debt issued in 2009 and 2010.

The debt issue, the payment due date, and the amount due and unpaid prior to the date of determination are presented below:

Debt Issue	Payment Date	Amount Due	Schedule I
			Payments 30 Days Past Due at May 31, 2010
<u>Current Revenue Notes</u>			
Interim Revenue Notes 2009	1/10/10	\$575,567	\$0
<u>Development Revenue Bonds</u>			
Development Bond Series 2007-1	1/1/10	229,525	0
Development Bond Series 2007-2	Monthly	356	0
<u>General Obligation Bonds</u>			
Water System Improvement Bonds	12/1/09	83,043	0
<u>Mortgage Revenue Bonds</u>			
Waterworks System Mortgage Revenue Bonds	6/1/09	138,600	0
<u>Loans</u>			
ORDC Railroad	Monthly	10,577	0
OPWC Vine Street Sewer Separation	1/1/10	2,648	0
OPWC Eastom and Blank Street Storm Sewer	1/1/10	3,420	0
OPWC Orchard Drive Sewer Replacement	1/1/10	3,310	0
OWDA Wastewater Treatment Plant Acquisition	1/1/10	48,674	46,519
OWDA Wastewater Treatment Plant Improvements	1/1/10	84,424	80,665
OWDA Sanitary Sewer Separation	1/1/10	6,672	0
OWDA Water Reservoir	1/1/10	385,997	368,584

Conclusion: A fiscal emergency condition exists under Ohio Revised Code Section 118.03(A)(1). The Village was in default on three of its OWDA loans for more than thirty days at May 31, 2010.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation, county, or township in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the Village as of May 31, 2010. We reviewed the council minutes, ordinances, resolutions, and had a discussion with the Fiscal Officer to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the cash journal and cancelled checks to determine whether Village employees had been paid within the time specified by Sections 118.03(A)(2) of the Ohio Revised Code.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of May 31, 2010. All employees have been paid in amounts and at the times required by Village ordinance.

Condition Three - Increase in Minimum Levy

Section 118.03(A)(3) of the Ohio Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Putnam County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of the Village for 2010 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Putnam County Budget Commission indicated that the Budget Commission had not taken any action to increase the inside millage of the Village for 2010.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of May 31, 2010. The Putnam County Budget Commission has not taken any action to increase the inside millage of the Village, thus reducing another subdivision's inside millage.

Condition Four - Past Due Accounts Payable from the General Fund and All Funds

Section 118.03(A)(4) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that had 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 benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for that year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.

We reviewed the accounts payable as of December 31, 2009, that were due 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, 2009, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. From this amount, we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund receipts for that year. For 2009, the Village obtained an amended certificate in January 2009. Actual receipts for 2009 were significantly less than the amended certificate; however, the Village never requested a reduced amended certificate at any time during the year. Therefore, one-sixth of general fund receipts was used in this calculation.

Schedule II

General Fund Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2009

Fund	Payables Over 30 Days Past Due	Fund Balance Available	Payables in Excess of Available Balance	One-Sixth of Revenues	Accounts Payable in Excess of Revenues
General	\$2,602	\$0	\$2,602	\$383,533	\$0

From 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, 2009. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2009, excluding non-recurring receipts, of the general fund.

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Schedule III

All Funds Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2009

Funds	Payables Over 30 Days Past Due	Fund Balance Available	Payables in Excess of Available Balance	One-Sixth of Revenues	Accounts Payable in Excess of Revenues
General	\$2,602	\$0	\$2,602	\$383,533	\$0
Street Maintenance	16	0	16	18,576	0
Capital Projects - C Fund	444	0	444	5,083	0
Capital Projects - D Fund	1,117	0	1,117	1	(1,116)
Water	18	40,718	0	82,334	0
Totals	\$4,197	\$40,718	\$4,179	\$489,527	(\$1,116)

Section 118.03(B) of the Ohio Revised Code provides in part:

Any year-end condition described in division (A)(4) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account all accounts payable past due for sixty days or subject to penalty, as of the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(4) of this section, held for the general fund or those respective special funds that are lawfully available to pay such accounts.

From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least sixty days past due or to which a penalty was added as of May 31, 2010. There were no payables at least sixty days past due as of May 31, 2010.

Conclusion: A fiscal emergency condition does not exist as of May 31, 2010, under Section 118(A)(4) of the Ohio Revised Code. There were no payables at least sixty days past due as of May 31, 2010.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

Village of Leipsic, Putnam County

Fiscal Emergency Analysis

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2009, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund receipts to those deficit funds. For 2009, the Village obtained an amended certificate in January 2009. Actual receipts for 2009 were significantly less than the amended certificate; however, the Village never requested a reduced amended certificate at any time during the year. Therefore, one-sixth of general fund receipts was used in this calculation. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule IV

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2009

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth Fund Receipts	Unprovided Portion of Aggregate Deficit
General	(\$424,570)	(\$87,798)	(\$512,368)	\$383,533	(\$128,835)
Street	(35,984)	(6,842)	(42,826)	18,576	(24,250)
Capital Project - C	(304,817)	(4,171)	(308,988)	5,083	(303,905)
Capital Project - D	41	(4,694)	(4,653)	1	(4,652)
Wastewater	(97,898)	(26,296)	(124,194)	52,017	(72,177)
Railroad	(62,395)	(469)	(62,864)	15,613	(47,251)
Reservoir Debt	(98,372)	0	(98,372)	11	(98,361)
Subtotal	<u>(\$1,023,995)</u>	<u>(\$130,270)</u>	<u>(\$1,154,265)</u>	<u>\$474,834</u>	<u>(679,431)</u>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$679,431)</u>

Section 118.03(B) of the Ohio Revised Code provides in part:

Any year-end condition described in division (A)(5) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account the positive balances at the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(5) of this section, held for the general fund or any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, provided that changes from the year-end condition resulting from transfers not authorized pursuant to Chapter 5705 of the Revised Code, borrowings or advances between funds shall not be taken into account to demonstrate improvement in any fiscal emergency condition.

Village of Leipsic, Putnam County

Fiscal Emergency Analysis

We computed the adjusted aggregate sum of all deficit funds as of May 31, 2010, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts to those deficit funds. We then identified funds that may be transferred, as provided in Section 5705.14 of the Ohio Revised Code, to meet such deficits to arrive at the unprovided portion of the aggregate deficit.

Schedule V

Deficit Fund Balances
Ohio Revised Code Section 118.03(B)
As of May 31, 2010

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth Fund Receipts	Unprovided Portion of Aggregate Deficit
General	(\$569,113)	\$0	(\$569,113)	\$385,120	(\$183,993)
Street	(37,163)	0	(37,163)	22,816	(14,347)
Capital Project - C	(304,690)	0	(304,690)	0	(304,690)
Capital Project - D	(34,074)	0	(34,074)	0	(34,074)
Wastewater	(147,792)	0	(147,792)	102,881	(44,911)
Subtotal	<u>(\$1,092,832)</u>	<u>\$0</u>	<u>(\$1,092,832)</u>	<u>\$510,817</u>	<u>(582,015)</u>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$582,015)</u>

Conclusion: Schedules IV and V indicate that a fiscal emergency condition exists under Section 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as of December 31, 2009, and May 31, 2010, respectively. The total unprovided portion of the aggregate deficit funds as of December 31, 2009, and May 31, 2010, is \$679,431 and \$582,015, respectively.

Condition Six - Treasury Deficiency

Section 118.03(A)(6) of the Ohio Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

Village of Leipsic, Putnam County

Fiscal Emergency Analysis

Section 118.03(B) of the Ohio Revised Code provides in part:

Any year-end condition described in division (A)(6) of this section shall not constitute a fiscal emergency condition if the municipal corporation, county, or township clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, or township at the time of such demonstration that are, in the case of division (A)(6) of this section, held to meet such positive balances.

We verified the Village's reconciled bank balances to its statement of cash position for all funds as of December 31, 2009, and as of May 31, 2010, which included subtracting reconciling factors to arrive at a treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. We then subtracted from the treasury deficit one-sixth of the amount received into the treasury during 2009 and the estimated amount to be received into the treasury during 2010 to determine if a treasury deficiency exists.

Schedule VI

Treasury Balances
Ohio Revised Code Section 118.03(A)(6) and 118.03(B)
as of December 31, 2009, and May 31, 2010

	Amounts at December 31, 2009	Amounts at May 31, 2010
Bank Cash Balance		
General Checking	\$166,503	\$660,017
Payroll Checking	1,059	3,331
Water Checking	1	81
Total Bank Cash Balance	<u>167,563</u>	<u>663,429</u>
Less Reconciling Factors for		
Cash on Hand	110	110
Outstanding Checks	(119,472)	(104,012)
Total Reconciling Factors	<u>(119,362)</u>	<u>(103,902)</u>
Total Treasury Balance	<u>48,201</u>	<u>559,527</u>
Positive Fund Cash Balances		
Law Enforcement	2,372	2,397
State Highway	8,151	2,010
Permissive	1	1
Fire	166,474	174,147
Capital Project - D	41	0
Capital Project - P	245,597	263,435
Water	61,918	60,057
Water Debt	367,110	424,132
Wastewater Debt	92,341	440,943
Railroad	0	82,432
Railroad Debt	61	49,168
Reservoir	128,171	121,001
Reservoir Debt	0	32,636
Total Positive Cash Fund Balances	<u>1,072,237</u>	<u>1,652,359</u>
Treasury Deficit	(1,024,036)	(1,092,832)
One-sixth of Treasury Receipts	<u>965,410</u>	<u>1,124,348</u>
Treasury Deficiency	<u>(\$58,626)</u>	<u>\$31,516</u>

Village of Leipsic, Putnam County

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Conclusion: Schedule VI indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) and 118.03(B) of the Ohio Revised Code. Although the treasury deficit exceeded one-sixth of the treasury receipts at December 31, 2009, by \$58,626, the treasury deficit did not exceed one-sixth of the treasury receipts at May 31, 2010.

Summary

A fiscal emergency is the existence of at least one of the conditions defined above. This analysis indicates that a fiscal emergency exists at the Village of Leipsic as defined in Sections 118.03(A)(1), 118.03(A)(5), and 118.03(B) of the Ohio Revised Code as presented in Schedules I, IV, and V above as of December 31, 2009, and May 31, 2010.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported.



Mary Taylor, CPA
Auditor of State

VILLAGE OF LEIPSIC

PUTNAM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 16, 2010