



Dave Yost • Auditor of State

Declaration of Fiscal Caution

Pursuant to Section 118.025(A), Revised Code, the Auditor of State developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of a fiscal watch or fiscal emergency of a municipal corporation, county, or township. If the Auditor of State determines that a municipal corporation, county, or township is engaging in any of those practices or that any of those conditions exist, the Auditor of State may declare a municipal corporation, county, or township to be in a state of Fiscal Caution.

The Auditor of State's guidelines for a declaration of fiscal caution include (1) unauditable financial records; (2) significant deficiencies, material weaknesses, direct and material noncompliance as disclosed in the financial audit; (3) deficit fund balances; (4) a carryover fund balance of less than one month's average expenditures for two consecutive years, and (5) a failure to reconcile accounting journals and ledgers with the treasury.

Based on a review of the City of Chillicothe's audited financial statements for 2011, the City of Chillicothe meets the following fiscal caution conditions:

1. Significant material weakness as disclosed in its financial audit found no evidence that bank reconciliations were being performed by the Treasurer's office throughout 2011, including no evidence of a yearend reconciliation;
2. Deficit fund balances at December 31, 2011 consisted of \$157,368 and \$193,130 in the Police Pension and Fire Pension Special Revenue Funds, respectively, as reported in the City's financial statements prepared in accordance with generally accepted accounting principles.
3. The City has not reconciled its account journals and ledgers with the bank. The last reconciliation was May 2012.

Accordingly, the Auditor of State hereby declares the City of Chillicothe to be in a state of Fiscal Caution under Section 118.025(A) of the Ohio Revised Code. A copy of this declaration is being submitted to Jack Everson, Mayor, Alan Davis, President of Council, Tom Spetnagel Jr., City Auditor and David Neal, City Treasurer.


Dave Yost
Auditor of State

October 23, 2012