



Dave Yost • Auditor of State

**Village of Edgerton
Williams County**

**Fiscal Emergency Analysis
As of December 31, 2012 and August 31, 2013**

Local Government Services

Village of Edgerton, Williams County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the Village of Edgerton 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 Edgerton as defined in Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Lance Bowsher, Mayor of the Village of Edgerton; Trevor Weaver, President Pro Tempore of Council of the Village of Edgerton; John Kasich, Governor; Timothy S. Keen, Director of the Office of Budget and Management; John Husted, Secretary of State; Josh Mandel, Treasurer of State; and Deborah S. Nester, Secretary of the Williams County Budget Commission.

"

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 17, 2013

Village of Edgerton, Williams County

Fiscal Emergency Analysis

Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, Mayor Lance Bowsher requested that a fiscal analysis be performed by the Auditor of State for the Village of Edgerton, Williams 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 condition described under Condition 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, 2012 and August 31, 2013.

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.

A summary of 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>Notes Payable</u>			
Sanitary Sewer Bond Anticipation Notes	1.70%	1/23/2013	\$462,000
AMP Ohio JV 2 Notes	1.25	11/29/2012	940,000
<u>Loan Payable</u>			
Edgerton Local School District	0.00	11/24/2009	135,000
<u>Manuscript Bonds</u>			
Town Hall Improvement Bond	2.65	12/1/2012	900,000

We obtained a list of outstanding debt and the amortization schedules to identify the last scheduled payments due before August 31, 2013, and reviewed the council minutes for any debt issued.

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). The Village had not defaulted on any of its debt obligations for more than thirty days as of August 31, 2013.

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 laws, ordinances, resolutions, or agreements, which failure of payment has continued:

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

We reviewed the payroll records of the Village as of August 31, 2013. 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. We determined that adequate cash was in the bank account to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of August 31, 2013. 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 Williams 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 2013 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Williams County Budget Commission indicated that the County Budget Commission had not taken any action to increase the inside millage of the Village for 2013.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of August 31, 2013. The Williams County Budget Commission has not taken any action to increase the inside millage of the Village by 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 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 prepared a schedule of accounts payable as of December 31, 2012, 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, 2012, 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 balance in the general fund to determine if the accounts payable in excess of the available balance exceeded one-sixth of the general fund receipts for that year. The Village did not obtain an amended certificate, so one-sixth of general fund receipts was used in this calculation.

Schedule I

General Fund Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2012

Fund	Payables Over 30 Days Past Due	General Fund Balance Available	Payables in Excess of Available Balance	One-Sixth of Revenues	Accounts Payable in Excess of Revenues
General	\$8,956	\$0	\$8,956	\$104,676	\$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, 2012. 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 revenues during 2012, excluding non-recurring receipts, of the general fund and of all special funds from which such accounts are lawfully payable.

Village of Edgerton, Williams County

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Schedule II

All Funds Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2012

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	\$8,956	\$0	\$8,956	\$104,676	\$0
Stormwater	1,141	48,833	0	8,139	0

Conclusion: Schedules I and II indicate that a fiscal emergency condition does not exist under section 118.03(A)(4) of the Ohio Revised Code. Accounts payable from the general fund and from all funds which were at least thirty days past due at December 31, 2012, did not exceed the available fund balances. An analysis as of the date of determination was not made because a fiscal emergency condition did not exist at year-end.

Condition Five - Deficit Fund Balances

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

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

We computed the adjusted aggregate sum of all deficit funds at December 31, 2012, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund receipts and the receipts to those deficit funds. 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.

Village of Edgerton, Williams County

Fiscal Emergency Analysis

Schedule III

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2012

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth of Fund Revenues	Unprovided Portion of Aggregate Deficit
General	(\$184,527)	\$50,675	(\$235,202)	\$111,509	(\$123,693)
Street Construction, Maintenance, and Repair	(6,439)	1,002	(7,441)	14,705	7,264
Stormwater	(5,712)	1,181	(6,893)	8,139	1,246
Recycling	(1,498)	0	(1,498)	6,229	4,731
Subtotal	<u>(\$198,176)</u>	<u>\$52,858</u>	<u>(\$251,034)</u>	<u>\$140,582</u>	<u>(110,452)</u>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$110,452)</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.

We computed the adjusted aggregate sum of all deficit funds at August 31, 2013, by subtracting all accounts payable and encumbrances from the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund receipts and the receipts to those deficit funds. 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.

Village of Edgerton, Williams County

Fiscal Emergency Analysis

Schedule IV

Deficit Fund Balances
Ohio Revised Code Section 118.03(B)
As of August 31, 2013

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth of Revenues	Unprovided Portion of Aggregate Deficit
General	(\$180,833)	\$25,579	(\$206,412)	\$117,183	(\$89,229)
Street Construction, Maintenance, and Repair	(37,215)	4,401	(41,616)	14,500	(27,116)
State Highway	(8,256)	0	(8,256)	1,133	(7,123)
Infrastructure	(19,403)	661	(20,064)	8,750	(11,314)
Stormwater	(5,329)	0	(5,329)	8,333	3,004
Garbage	(11,319)	0	(11,319)	8,733	(2,586)
Subtotal	<u>(\$262,355)</u>	<u>\$30,641</u>	<u>(\$292,996)</u>	<u>\$158,632</u>	<u>(\$134,364)</u>
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$134,364)</u>

Conclusion: Schedules III and IV 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, 2012, and August 31, 2013. The total unprovided portion of the aggregate deficit funds as of December 31, 2012, and August 31, 2013, are \$110,452 and \$134,364, respectively.

Condition Six - Treasury Deficiency

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

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

We verified the Village's reconciled bank balance to its statement of cash position for all funds as of December 31, 2012. We then subtracted from the treasury deficit one-sixth of the amount received into the treasury during 2012 to determine if a treasury deficiency exists. From the treasury balance we subtracted 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. No further calculations were necessary because positive cash balances were greater than the treasury deficit at December 31, 2012.

Village of Edgerton, Williams County

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Schedule V

Treasury Balance
Ohio Revised Code Section 118.03(A)(6)
as of December 31, 2012

	Amounts at December 31, 2012
Bank Cash Balance	
Huntington National Bank Checking	\$107,000
Huntington National Bank Sweep	2,358,403
Manuscript Bonds	900,000
Total Bank Cash Balance	<u>3,365,403</u>
Less Reconciling Factors for	
Cash on Hand	100
NSF Checks	360
Unrecorded Income Tax Receipts	(25)
Outstanding Checks	<u>(84,179)</u>
Total Treasury Balance	<u>3,281,659</u>
Positive Cash Fund Balances	
State Highway	28,601
Revolving Loan	144,475
UDAG Revolving Loan	20,193
Auto License	6,995
Permissive Tax	642
Fire Levy	15,667
DUI	2,700
Drug Enforcement	1,392
Infrastructure	714,390
Income Tax Capital	218,680
Water	127,756
Sewer	8,610
Electric	2,151,036
Omega JV2	41
Sewer Debt Service	1
Light and Water Deposits	30,125
Sewer Deposits	5,245
Garbage	<u>3,286</u>
Total Positive Cash Fund Balances	<u>3,479,835</u>
Treasury Deficit	(198,176)
One-Sixth Treasury Receipts	<u>619,053</u>
Treasury Surplus	<u>\$420,877</u>

Conclusion: Schedule V indicates that a fiscal emergency condition does not exist under section 118.03(A)(6) of the Ohio Revised Code. There was no treasury deficiency at December 31, 2012. An analysis as of the date of determination was not made because a fiscal emergency condition did not exist at year-end.

Village of Edgerton, Williams County

Fiscal Emergency Analysis

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 Edgerton as defined in Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as presented in Schedules III and IV as of December 31, 2012, and August 31, 2013.

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

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VILLAGE OF EDGERTON

WILLIAMS 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
DECEMBER 17, 2013**