



Dave Yost • Auditor of State

November 15, 2018

The Honorable Luke Feeney, Mayor
City of Chillicothe
35 South Paint Street
Chillicothe, OH 45601

Dear Mayor Feeney:

On October 23, 2012, the City of Chillicothe (the “City”) was declared to be in a state of fiscal caution by the Auditor of State. The declaration was based on a review of the City’s audited financial statements for 2011. The 2011 financial audit included significant deficiencies and material weaknesses in that:

- Audit found no evidence that bank reconciliations were being performed by the Treasurer’s office throughout 2011, including no evidence of a year-end reconciliation;
- 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; and
- The City had not reconciled its account journals and ledgers with the bank. The last reconciliation was May 2012.

Over the past years, the Local Government Services Section of the Auditor of State’s Office has met with the City Auditor and City Treasurer to review the actions taken to eliminate these deficiencies. A summary of our review of the City’s progress in resolving the deficiencies that led to the Declaration of Fiscal Caution on October 23, 2012, follows.

Significant Material Weakness

Deficiency: Audit found no evidence that bank reconciliations were being performed by the Treasurer’s office throughout 2011, including no evidence of a year-end reconciliation.

Resolution: The Treasurer’s Office is performing bank reconciliations on a monthly basis. A year-end reconciliation also was performed for the year end December 31, 2017, and currently the City is reconciled through September 2018.

Deficit Fund Balances

Deficiency: 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.

Resolution: The City's 2017 audited financial statements, prepared in accordance with generally accepted accounting principles, did not include any funds with a deficit fund balance.

Reconciled Account Journals and Ledgers with the Bank

Deficiency: The City had not reconciled its account journals and ledgers with the bank. The last reconciliation was May 2012.

Resolution: The City is reconciling its accounting journals and ledgers with the bank on a monthly basis. Any reconciling items are documented and addressed in a timely manner. The last reconciliation performed was for the month of September 2018.

Conclusion:

The City of Chillicothe has made satisfactory progress in correcting the deficiencies listed above, and the City's fiscal caution status under Section 118.025 of the Ohio Revised Code has been terminated.

My sincere congratulations and hope for continued success to the City of Chillicothe in maintaining financial stability in future years.

Sincerely,



Dave Yost
Auditor of State

cc: Bruce A. Arnold, President of Council
Jeremy Siberell, City Treasurer
Kristal Spetnagel, City Auditor
Robert R. Hinkle, Chief Deputy Auditor
Unice S. Smith, Chief of Local Government Services
April C. Davis, Chief Project Manager, Local Government Services
Loren S. Crisp, Chief Auditor