



**Auditor of State
Betty Montgomery**

**Village of Russells Point
Logan County, Ohio**

**Fiscal Emergency Analysis
As of December 31, 2004**

Local Government Services

Village of Russells Point
Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the Village of Russells Point 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 Russells Point as defined in Section 118.03(A)(5) and (6) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Mary S. Leonard, Clerk-Treasurer of the Village of Russells Point; Greg Iiams, Mayor of the Village of Russells Point; Mike Best, President Pro Tempore of Council for the Village of Russells Point; Jennette Bradley, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Bob Taft, Governor; Thomas W. Johnson, Director of the Office of Budget and Management, and the Preble County Budget Commission.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 12, 2005

Village of Russells Point, Logan County

Fiscal Emergency Analysis

Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, Mayor Greg Iiams requested that a fiscal analysis be performed by the Auditor of State for the Village of Russells Point, Logan 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 a 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 when the village’s treasury balance is compared to the positive cash balances of the village’s funds.

The year end conditions described under Conditions 4, 5, and 6, of this report shall not constitute a fiscal emergency if the Village clearly demonstrates to the satisfaction of the Auditor of State prior to the time of the Auditor of State's determination that the conditions no longer exist at the time of the determination.

If the determination by the Auditor of State occurs within four months following the end of the year, upon the request by and substantial showing of the Village that it has taken steps to remove the condition within four months, the Auditor of State shall postpone a determination as to Conditions 4, 5, and 6 until April 30. The Village has not requested that the determination be delayed nor made a substantial showing that it has taken steps to remove the conditions.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2004, and March 31, 2005, the most recent date that reconciled financial data was available.

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>Issued Date</u>	<u>Issue Amount</u>
<u>Building Acquisition Bonds</u>			
Municipal Building Bond A	6.00%	06/05/02	\$133,190
Municipal Building Bond B	8.00	06/05/02	232,127
Municipal Building Bond	4.75	05/29/02	215,000
<u>Revenue Bonds</u>			
USDA Bonds A & B	5.00	06/27/97	1,245,000

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Debt Issue	Interest Rate	Issued Date	Issue Amount
<u>Loans Payable</u>			
OPWC Water System Improvements	0.00%	10/01/98	\$426,000
OPWC Water Softener Replacement	0.00	01/01/00	123,063
OPWC Water Line Replacement	0.00	07/01/00	88,313
OPWC Water Line Improvement	0.00	07/01/00	43,200
Main Street	3.95	10/15/02	139,359
Backhoe	5.25	09/16/98	44,483
Water Pickup Truck	4.73	03/04/02	12,973
Filtration System	3.35	12/02/03	63,000
<u>Capital Leases Payable</u>			
Dump Truck	7.90	04/14/00	51,160

We obtained a list of outstanding debt from the 2003 audited financial statements, the authorizing legislation, and the amortization schedules to identify the last scheduled payments due before March 31, 2005. These payments were traced from the expenditure ledger to the checks issued to the paying agents and the bank statement to determine if the Village was meeting its debt obligations. The debt issues, the payment dates, and the amounts due are presented below:

Debt Issue	Payment Date	Amount Due	Payments 30 Days Past Due at March 31, 2005
<u>Building Acquisition Bonds</u>			
Municipal Building Bond A	June 1, 2005	\$4,813	\$0
	December 1, 2005	4,813	0
Municipal Building Bond B	June 1, 2005	10,260	0
	December 1, 2005	10,260	0
Municipal Building Bond	January 17, 2005	10,073	0
	July 17, 2005	9,868	0
<u>Revenue Bonds</u>			
USDA Bonds A & B	June 1, 2005	72,855	0
<u>Loans Payable</u>			
OPWC Water System Improvements	January 1, 2005	10,650	0
	July 1, 2005	10,650	0
OPWC Water Softener Replacement	January 1, 2005	3,155	0
	July 1, 2005	3,156	0
OPWC Water Line Replacement	January 1, 2005	2,208	0
	July 1, 2005	2,208	0
OPWC Water Line Improvement	January 1, 2005	1,080	0
	July 1, 2005	1,080	0
Main Street	April 15, 2005	8,417	0
	October 15, 2005	8,417	0
Backhoe	September 15, 2005	7,779	0
Water Pickup Truck	March 1, 2005	4,306	0
Filtration System	June 2, 2005	11,102	0
	December 2, 2005	11,102	0

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). No default on any debt obligation for more than thirty days existed at March 31, 2005.

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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 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 March 31, 2005. We reviewed the Council minutes, ordinances, resolutions and had a discussion with the Village Clerk to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We reviewed the cash journal and payroll checks to determine whether Village employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) 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 March 31, 2005. 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 Logan 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 2003 or 2004, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Logan County Budget Commission indicated that the Commission had not taken any action in 2003 or 2004 to increase the inside millage of the Village.

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

Village of Russells Point, Logan County

Fiscal Emergency Analysis

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 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, 2004, for all funds that were due and payable for at least thirty days, or to which a penalty had been added for failure to pay as of December 31, 2004, 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. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. There were no accounts payable due from the general fund or any funds which were at least thirty days past due at the end of the year.

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 December 31, 2004, 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 revenues lawfully available 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 Russells Point, Logan County

Fiscal Emergency Analysis

Schedule I

Deficit Fund Balances
Ohio Revised Code Section 118.03 (A)(5)
As of December 31, 2004

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	Less One-Sixth of the Receipts Lawfully Available	Unprovided Portion of Aggregate Deficit
Debt Service	(\$64,852)	\$0	(\$64,852)	\$0	(\$64,852)
Municipal Building	(99,128)	0	(99,128)	0	(99,128)
Subtotal	<u>(\$163,980)</u>	<u>\$0</u>	<u>(\$163,980)</u>	<u>\$0</u>	<u>(163,980)</u>

One-Sixth of General Fund Budget	36,182
Funds available for transfer from the General Fund	6,272
Total Unprovided Portion of Aggregate Deficit Funds	<u>(\$121,526)</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.

We computed the adjusted aggregate sum of all deficit funds March 31, 2005, 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 revenues lawfully available 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 II

Deficit Fund Balances
Ohio Revised Code Section 118.03 (A)(5)
As of March 31, 2005

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	Less One-Sixth of the Receipts Lawfully Available	Unprovided Portion of Aggregate Deficit
Debt Service	(\$64,852)	\$0	(\$64,852)	\$0	(\$64,852)
Municipal Building	(109,201)	0	(109,201)	0	(109,201)
Subtotal	<u>(\$174,053)</u>	<u>\$0</u>	<u>(\$174,053)</u>	<u>\$0</u>	<u>(174,053)</u>

One-Sixth of General Fund Budget	45,833
Funds available for transfer from the General Fund	64,536
Total Unprovided Portion of Aggregate Deficit Funds	<u>(\$63,684)</u>

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Conclusion: Schedule I and II indicates that a fiscal emergency condition exists under Section 118.03(A)(5) of the Ohio Revised Code as of December 31, 2004, and March 31, 2005, respectively. The total unprovided portion of the aggregate deficit funds as of December 31, 2004, and March 31, 2005, are \$121,526 and \$63,684, 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.

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 balance to its statement of cash position for all funds as of December 31, 2004, and as of March 31, 2005, which included subtracting the outstanding items 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 2004 and the estimated amount to be received into the treasury during 2005 determine if a treasury deficiency exists.

Village of Russells Point, Logan County

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Schedule III

Treasury Balance
Ohio Revised Code Section 118.03(A)(6)
as of December 31, 2004 and March 31, 2005

	Amounts at December 31, 2004	Amounts at March 31, 2005
Bank Cash Balance		
Sky Bank	\$122,293	\$238,375
Less Adjustments for Outstanding Checks	(30,295)	(45,750)
Total Treasury Balance	91,998	192,625
Positive Fund Balances		
General	6,437	64,536
Street Maintenance	15,923	24,867
State Highway	1,965	3,130
Recreation	100	100
Police 3 Mill	15,087	33,303
Auto Permissive	10,385	12,187
Drug Enforcement	1,882	2,210
Main Street	3,179	3,225
Enterprise	16,348	43,185
Mortgage Debt Service	50,659	45,923
Debt Service Reserve	51,510	51,510
Utility Deposit	41	39
Utility Improvement	82,462	82,462
Total Positive Fund Balances	255,978	366,677
Treasury Balance Less Positive Fund Balances	(163,980)	(174,052)
One-Sixth Treasury Receipts	139,109	132,356
Treasury Deficiency	(\$24,871)	(\$41,696)

Conclusion: Schedule III indicates that a fiscal emergency condition exists under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2004, and as of March 31, 2005. The treasury balance less the positive fund cash balances as of December 31, 2004, and March 31, 2005, exceeded one-sixth of the treasury receipts for the year by \$24,871 and \$41,696, respectively.

Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency exists at the Village of Russells Point as defined in Sections 118.03(A)(5) and 118.03(A)(6) of the Ohio Revised Code as presented in Schedules I, II, and III above as of December 31, 2004, and March 31, 2005.

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.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF RUSSELLS POINT

LOGAN 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
MAY 12, 2005**