



**Dave Yost • Auditor of State**

**Village of Mount Sterling  
Madison County, Ohio**

**Fiscal Emergency Analysis  
As of December 31, 2016 and April 30, 2017**

**Local Government Services Section**



**Village of Mount Sterling, Madison County**

**Fiscal Emergency Analysis**

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# Dave Yost • Auditor of State

## Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of the Village of Mount Sterling 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 Mount Sterling as defined in Section 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 Lowell Anderson, Mayor of the Village of Mount Sterling; John Kasich, Governor; Timothy S. Keen, Director of the Office of Budget and Management; Jon Husted, Secretary of State; Josh Mandel, Treasurer of State; and Jennifer S. Hunter, Secretary of the Madison County Budget Commission.

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

DAVE YOST  
Auditor of State

June 22, 2017

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## Village of Mount Sterling, Madison County

### Fiscal Emergency Analysis

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#### Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, Auditor of State Dave Yost initiated a fiscal analysis of the Village of Mount Sterling, Madison County (the Village). The purpose of the analysis is to determine if the financial condition of the Village justifies the declaration of a fiscal emergency.

A village is placed in fiscal emergency if any one of the 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 four, five, and six do 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.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2016 and April 30, 2017, 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.

We reviewed the outstanding indebtedness of the Village as of April 30, 2017, which consisted of seven debt issues. A summary of the Village's outstanding debt is presented below:

Debt Issue	Interest Rate	Issue Date	Issue Amount
Land Acquisition Bonds, Series 2013	3.50%	2013	\$100,000
Ohio Public Works Commission (CK02K)	0.00	2008	135,575
Ohio Public Works Commission (CK18K)	0.00	2009	413,258
Ohio Water Development Authority (4792)	2.00	2010	500,000
Ohio Water Development Authority (6339)	0.00	2016	6,104,412
Ohio Water Development Authority (7143)	1.15	2016	260,173
Ohio Water Development Authority (7037)	1.09	2017	443,055
Ohio Water Development Authority (7304) *	3.03	2016	68,300
Ohio Water Development Authority (7243) *	0.96	2016	2,042,747
Ohio Water Development Authority (7243) *	2.96	2016	4,465,379

\* These projects are ongoing and have not been completed. The issue amount listed is the balance outstanding as of April 30, 2017.

We obtained a list of outstanding debt and the amortization schedules from the Village Fiscal Officer, Ohio Public Works Commission and the Ohio Water Development Authority, to identify the last scheduled payments due before April 30, 2017. We also reviewed the council minutes for any new debt issuances. We obtained the postings for the payments made before April 30, 2017, and compared the

Village of Mount Sterling, Madison County

Fiscal Emergency Analysis

postings to the amortization schedules and billing statements to determine if the Village met its debt obligations in a timely manner. We also reviewed the billing statements for any delinquent amounts. There were no debt payments more than 30 days past due.

The debt issued, the payment dates, and the amounts due and paid prior to the date of determination are presented below:

Debt Issue	Interest Rate	Principal or Interest Payment Date	Amount Due	Payments 30 Days past Due at 4/30/17
Land Acquisition Bonds, Series 2013	3.50%	9/1/2016	\$21,876	\$0
Ohio Public Works Commission (CK02K)	0.00	1/1/2017	3,389	0
Ohio Public Works Commission (CK18K)	0.00	1/1/2017	4,904	0
Ohio Water Development Authority (4792)	2.00	1/1/2017	12,983	0
Ohio Water Development Authority (6339)	0.00	12/23/2016	152,245	0
Ohio Water Development Authority (7143)	1.15	12/23/2016	3,075	0
Ohio Water Development Authority (7037)	1.09	12/23/2016	6,289	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 April 30, 2017.

**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 April 30, 2017. We reviewed the Village Council’s minutes, ordinances and other personnel records to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We reviewed payroll reports to see if payroll checks were issued on the scheduled pay dates. These procedures were performed to ascertain whether Village employees had been paid within the time specified by Section 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 April 30, 2017. All employees have been paid in the amounts and at the times required by Village ordinance and negotiated agreements.



## Village of Mount Sterling, Madison County

### Fiscal Emergency Analysis

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#### **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 Madison 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 2017, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Madison County Budget Commission indicated that the Commission had not taken any action in 2017 to increase the inside millage of the Village and, therefore, no other subdivision's inside millage was reduced.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code as of April 30, 2017. The Madison County Budget Commission has not taken any action to increase the inside millage of the Village, thus reducing another subdivision's 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 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, including, but not limited to, final judgments, fringe benefit 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 reviewed the accounts payable as of December 31, 2016, that were due from the general fund, and from all funds 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, 2016, 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.

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 and from all funds that were at least thirty days past-due as of December 31, 2016, which exceeded one-sixth of the general fund budget or one-sixth of the available revenues of the respective special funds. An analysis as of the date of determination was not completed because a fiscal emergency condition did not exist at year-end.

**Village of Mount Sterling, Madison County**

**Fiscal Emergency Analysis**

**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 as of December 31, 2016, 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 of 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 I

Deficit Fund Balances  
Ohio Revised Code Section 118.03(A)(5)  
As of December 31, 2016

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds With Deficit Balances	One-Sixth of General Fund Budget/ Fund Receipts	Unprovided Portion of Aggregate Deficit
General	(\$406,045)	(\$1,128)	(\$407,173)	\$103,582	(\$303,591)
Moving Ohio Forward	(36,900)	0	(36,900)	0	(36,900)
<b>Totals</b>	<b>(\$442,945)</b>	<b>(\$1,128)</b>	<b>(\$444,073)</b>	<b>\$103,582</b>	<b>(340,491)</b>
Funds Available for Transfer					0
Total Unprovied Portion of Aggregate Deficit Funds					<b>(\$340,491)</b>

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

Any year-end condition described on 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 purposes of such demonstration, there shall be taken into account all deficit amounts of deficit funds, as 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 Mount Sterling, Madison County**

**Fiscal Emergency Analysis**

We computed the adjusted aggregate sum of all deficit funds as of April 30, 2017, by subtracting all accounts payable and encumbrances from the April 30, 2017 cash balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts 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(B)  
As of April 30, 2017

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Fund With Deficit Balances	One-Sixth of General Fund Budget/ Fund Receipts	Unprovided Portion of Aggregate Deficit
General	(\$325,173)	(\$10,522)	(\$335,695)	\$103,158	(\$232,537)
Moving Ohio Forward	(36,900)	0	(36,900)	0	(36,900)
Total	(\$362,073)	(\$10,522)	(\$372,595)	\$103,158	(269,437)
Funds Available for Transfer					0
Total Unprovided Portion of Aggregate Deficit Funds					(\$269,437)

**Conclusion:** Schedules I and II indicate that a fiscal emergency condition exists under Sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as of December 31, 2016 and April 30, 2017. The total unprovided portion of the aggregate deficit funds as of December 31, 2016, and April 30, 2017, are \$340,491 and \$269,437, 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 balances to its fund cash balances as of December 31, 2016. From the treasury balance, we subtracted the aggregate sum of all positive fund 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 2016 to determine if a treasury deficiency exists.

**Village of Mount Sterling, Madison County**

**Fiscal Emergency Analysis**

Schedule III

Treasury Balances  
Ohio Revised Code Sections 118.03(A)(6)  
As of December 31, 2016

	Amounts at December 31, 2016
<b>Bank Balances</b>	
Chase General Checking Account	\$1,036,127
<i>Adjustments for:</i>	
Other Adjustment	(4,397)
Outstanding Checks	(15,121)
<i>Total Treasury Balance</i>	1,016,609
<b>Less: Positive Fund Balances</b>	
Street Construction Maintenance & Repair	92,379
State Highway	13,687
Parks and Recreation	2,007
Community Development Block Grant	1,000
Permissive Motor Vehicle License	47,303
Veteran's Memorial	14,880
Water Operating	551,943
Water Operating - Ohio Water Development Authority	17,292
Sewer Operating	576,829
Sewer Operating - Ohio Water Development Authority	115,065
Water Deposit	13,074
Other Agency	150
Water Deposit	7,315
Other Agency	150
Fire Escrow Insurance	6,480
Total Positive Balances	1,459,554
Treasury Deficit	(442,945)
One-sixth Treasury Receipts	503,056
Treasury Surplus	\$60,111

Conclusion: Schedule III indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code. The treasury balance less the positive fund balances as of December 31, 2016, did not exceed one-sixth of the receipts for the year.

**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 Mount Sterling as defined in Section 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as presented in Schedules I and II above as of December 31, 2016, and April 30, 2017.

**Village of Mount Sterling, Madison County**

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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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# Dave Yost • Auditor of State

**VILLAGE OF MOUNT STERLING**

**MADISON 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  
JUNE 22, 2017**