



**Auditor of State  
Betty Montgomery**

**City of Monroe  
Butler County, Ohio**

**Fiscal Emergency Analysis  
As of December 31, 2003 and April 30, 2004**

**Local Government Services**

City of Monroe, Butler County  
Fiscal Emergency Analysis

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**Auditor of State  
Betty Montgomery**

**Declaration of Fiscal Emergency**

The Auditor of State performed a fiscal emergency analysis of the City of Monroe 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 City of Monroe as defined in Sections 118.03(A)(5) and (6), and Section 118.03(B) of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with William Brock, City Manager of the City of Monroe; Robert Routson, Mayor of the City of Monroe; Jay Stewart, Director of Development and Finance Director of the City of Monroe, Bob Taft, Governor; J. Kenneth Blackwell, Secretary of State; Joseph T. Deters, Treasurer of State; and the Butler County Budget Commission.

*Betty Montgomery*

Betty Montgomery  
Auditor of State

August 12, 2004

# City of Monroe, Butler County

## Fiscal Emergency Analysis

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### Introduction

As provided by Section 118.04(A) of the Ohio Revised Code, the Auditor of State performed a fiscal analysis of the City of Monroe, Butler County (the City) as requested by the Mayor on December 31, 2003. The purpose of the analysis was to determine if the financial condition of the City justifies the declaration of fiscal emergency.

A city 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 city which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in city funds; and 6) a sizeable deficiency when the city's treasury balance is compared to the positive cash balances of the city's funds. The year-end conditions described under Conditions 4, 5, and 6, of this report must exist both at year-end and at the time of the analysis to justify the declaration of an emergency.

This report identifies the procedures performed and the conclusions reached with respect to each condition as of December 31, 2003, and April 30, 2004, the most recent date that reconciled financial data was available.

### Condition 1 – Default on Any Debt Obligation

Section 118.03 (A)(1), 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 City's outstanding debt is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>
<u>General Obligation Bonds</u>			
Various Purpose Refunding	2.00% - 5.00%	08/18/03	\$7,565,000
<u>Special Assessment Bonds</u>			
Limited Edition	4.55%	09/15/00	775,000
Waterline Extension II	5.05%	01/01/98	152,700
American Way	5.35%	10/03/93	140,000
Waterline Extension I	6.90%	10/01/91	530,000
Garver Road	7.75%	07/05/88	313,532
<u>Bond Anticipation Notes</u>			
Water System Improvement	2.16%	09/02/03	3,930,000
Water/Sanitary System Improvements	1.80%	04/27/04	735,000
<u>Revenue Bonds</u>			
Corridor I-75 Park	Adjustable Rate	03/01/96	2,000,000
<u>Loan Payable</u>			
Water Tower Loan	5.02%	12/01/03	26,971

# City of Monroe, Butler County

## Fiscal Emergency Analysis

We obtained a list of outstanding debt from the 2002 audited financial statements, the authorizing legislation for debt issued from January 1, 2003 to April 30, 2004, and the amortization schedules to identify the last scheduled payments due before April 30, 2004. These payments were traced from the expenditure ledger to the checks issued to the paying agents and the bank statement to determine if the City was meeting its debt obligations in a timely manner. There were no debt payments more than 30 days past due. The general obligation bonds, revenue bonds, and the bond anticipation notes did not have payments due before April 30, 2004. For the remaining debt issues, the payment date and the amount due are presented below:

<u>Debt Issue</u>	<u>Payment Date</u>	<u>Amount Due</u>	<u>Payments 30 days Past Due at April 30, 2004</u>
<u>Special Assessment Bonds</u>			
Limited Edition	December 1, 2003	\$44,128	0
Waterline Extension II	December 1, 2003	9,559	0
American Way	December 1, 2003	8,704	0
Waterline Extension I	December 1, 2003	36,268	0
Garver Road	December 1, 2003	19,069	0
<u>Loan Payable</u>			
Water Tower Loan	December 1, 2003	26,971	0

### Conclusion

A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Ohio Revised Code. No default on any debt obligation for more than thirty days existed at April 30, 2004.

### Condition 2 – Payment of All Payroll

Section 118.03 (A)(2), 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 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 City as of April 30, 2004. We reviewed the Council minutes, ordinances, resolutions and other personnel records to determine the employees of the City, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We reviewed payroll reports and interviewed various employees to see if payroll checks were issued on the scheduled pay dates. These procedures were performed to ascertain whether City employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Ohio Revised Code.

## City of Monroe, Butler County

### Fiscal Emergency Analysis

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#### Conclusion

A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of April 30, 2004. All employees have been paid in amounts and at the times required by City Ordinance.

#### **Condition 3 – Increase in Minimum Levy**

Section 118.03 (A)(3), 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 Butler 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 City of Monroe 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 Butler County Budget Commission indicated that the commission had not taken any action to increase the inside millage of the City of Monroe for 2003 or 2004.

#### Conclusion

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

#### **Condition 4 – Past Due Accounts Payable from the General Fund and All Funds**

Section 118.03 (A)(4), 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 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 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 the 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.

# City of Monroe, Butler County

## Fiscal Emergency Analysis

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We prepared a schedule of accounts payable as of December 31, 2003, for 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, 2003, including, but not limited to, final judgments, fringe benefit 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 fund balance available to pay such outstanding bills. The cemetery fund was the only fund that had accounts payable 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, 2003.

### Schedule I

Accounts Payable Over 30 Days Past Due  
Ohio Revised Code Section 118.03(A)(4)  
As of December 31, 2003

	Payables Over 30 Days Past Due	Fund Balance Available	Available Balance in Excess of Payables
Cemetery Fund	\$395	\$52,538	\$52,143

### Conclusion

Schedule I indicates that as of December 31, 2003, a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. Accounts payable from the cemetery fund which were at least thirty days past-due at the end of the year did not exceed the year-end fund balance available to pay them.

### Condition 5 – Deficit Fund Balances

Section 118.03(A)(5), 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, 2003 by subtracting all accounts payable and encumbrances from year-end cash fund balances 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. After computing the unprovided portion of the aggregate deficit, we subtracted funds that may be transferred, as provided in Section 5705.14 of the Revised Code, to meet such deficits.

## City of Monroe, Butler County

### Fiscal Emergency Analysis

Schedule II

Deficit Fund Balances  
Ohio Revised Code Section 118.03 (A)(5)  
As of December 31, 2003

Funds	Cash Fund Balances	Accounts Payable and Encumbrances	Adjusted Aggregate Funds With Deficit Balances	One-Sixth of the Receipts Lawfully Available	Unprovided Portion of Fund Deficit
Fire Operation and Maintenance	(\$1,628,259)	\$34,959	(\$1,663,218)	\$90,592	(\$1,572,626)
Police Law Enforcement	(769,386)	38,174	(807,560)	139,007	(668,553)
Cemetery Capital Improvement	(91)	0	(91)	1,000	0
G.O. Bond Retirement	(612,213)	0	(612,213)	888,971	0
S.A. Bond Retirement	(492,070)	0	(492,070)	25,895	(466,175)
Sewer	(419,105)	109,089	(528,194)	243,358	(284,836)
Garbage	(19,258)	26,292	(45,550)	50,368	0
<b>Total</b>	<u><u>(\$3,940,382)</u></u>	<u><u>\$208,514</u></u>	<u><u>(\$4,148,896)</u></u>	<u><u>\$1,439,191</u></u>	<u><u>(2,992,190)</u></u>
One-Sixth of General Fund Budget					694,296
Funds available for transfer from General Fund					<u>782,017</u>
Total Unprovided Portion of Aggregate Deficit					<u><u>(\$1,515,877)</u></u>

Section 118.03(B), 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 all deficit amounts of deficit funds as 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 as of April 30, 2004, by subtracting all accounts payable and encumbrances from April 30, 2004 cash fund balances of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the estimated receipts of those deficit funds. After computing the unprovided portion of the aggregate deficit, we subtracted funds that may be transferred, as provided in Section 5705.14 of the Revised Code, to meet such deficits.



## City of Monroe, Butler County

### Fiscal Emergency Analysis

Schedule III

Deficit Fund Balances  
Ohio Revised Code Section 118.03 (B)  
As of April 30, 2004

Funds	Cash Fund Balances	Accounts Payable and Encumbrances	Adjusted Aggregate Funds With Deficit Balances	One-Sixth of the General Fund Budget/Receipts Lawfully Available	Provided/ Unprovided Portion of Fund Deficit
General	\$757,286	\$1,040,087	(\$282,801)	\$970,363	\$687,562
Street	35,949	220,952	(185,003)	50,000	(135,003)
Fire Operation and Maintenance	(1,632,368)	220,463	(1,852,831)	103,667	(1,749,164)
Police Law Enforcement	(620,559)	223,343	(843,902)	89,833	(754,069)
Cemetery Capital Improvement	(91)	0	(91)	0	(91)
G.O. Bond Retirement	(612,213)	126,323	(738,536)	66,750	(671,786)
S.A. Bond Retirement	(416,490)	414,350	(830,840)	26,667	(804,173)
S.A. Street Lighting	34,673	38,867	(4,194)	8,392	0
Sewer	(388,262)	798,181	(1,186,443)	167,000	(1,019,443)
Storm Water	11,340	96,051	(84,711)	23,333	(61,378)
Garbage	(9,489)	228,993	(238,482)	61,050	(177,432)
<b>Total</b>	<b><u>(\$2,840,224)</u></b>	<b><u>\$3,407,610</u></b>	<b><u>(\$6,247,834)</u></b>	<b><u>\$1,567,055</u></b>	<b><u>(\$4,684,977)</u></b>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit					<u><u>(\$4,684,977)</u></u>

#### Conclusion

Schedules II and III indicate that a fiscal emergency condition does exist under Section 118.03(A)(5) and Section 118.03(B) of the Ohio Revised Code as of December 31, 2003 and April 30, 2004. The total unprovided portion of the aggregate deficit funds as of December 31, 2003 and April 30, 2004, is \$1,515,877 and \$4,684,977, respectively.

#### Condition 6 – Treasury Balances

Section 118.03 (A)(6), 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 City's reconciled bank balances to its fund cash balances as of December 31, 2003. 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 2003, to determine if a treasury deficiency exists.

# City of Monroe, Butler County

## Fiscal Emergency Analysis

Schedule IV

Treasury Balances  
Ohio Revised Code Section 118.03 (A)(6)  
As of December 31, 2003

	Amounts
	<u>December 31, 2003</u>
Bank Cash Balances:	
First Financial Bank - General Account	\$650,914
First Financial Bank - Money Market Account	441,716
Bank One	101,555
Star Ohio	10,045
First National Bank - Cemetery Trust	3,509
Bank One - Cemetery Trust	3,500
First Financial Bank - Streets	1,000
Bank One - Business High Balance Savings Account	400,000
Total Bank Cash	<u>1,612,239</u>
Adjustments For:	
Outstanding Checks	(235,672)
Total Adjustments	<u>(235,672)</u>
Total Treasury Balance	<u>1,376,567</u>
Positive Fund Cash Balances	
General	820,818
Street	9,355
State Highway	25,709
Fire - 1989 Levy	218,137
2000 Fire Levy	351,356
Motor Vehicle License	183,822
Enforcement and Education	9,673
Park Improvement	88,495
Capital Improvement	1,111
Corridor I-75	164,183
S.A. Street Lighting	27,681
Water	3,267,364
Storm Water	10,975
Cemetery	52,538
Water Replacement and Improvement	5,661
Cemetery Trust	66,374
Long Street Trust	1,000
Law Enforcement Trust	12,697
Total Positive Fund Cash Balances	<u>5,316,949</u>
Treasury Balances Less Positive Fund Cash Balances	(3,940,382)
1/6th Treasury Receipts	<u>3,785,297</u>
Treasury Deficiency	<u><u>(\$155,085)</u></u>

# City of Monroe, Butler County

## Fiscal Emergency Analysis

Section 118.03(B), 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 all deficit amounts of deficit funds as at the time of such demonstration, rather than at the end of the fiscal year.

We verified the City's reconciled bank balances to its fund cash balances as of April 30, 2004. 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 estimated amount to be received into the treasury during 2004, to determine if a treasury deficiency exists.

Schedule V

Treasury Balances  
Ohio Revised Code Section 118.03 (B)  
As of April 30, 2004

	Amounts <u>April 30, 2004</u>
Bank Cash Balances:	
First Financial Bank - General Account	\$1,392,339
First Financial Bank - Money Market Account	42,738
Bank One	224,756
Star Ohio	10,078
First National Bank - Cemetery Trust	3,509
Bank One - Cemetery Trust	3,500
First Financial Bank - Streets	1,000
Bank One - Business High Balance Savings Account	1,102,979
Total Bank Cash	<u>2,780,899</u>
Adjustments For:	
Outstanding Checks	(287,117)
Total Adjustments	<u>(287,117)</u>
Total Treasury Balance	<u>2,493,782</u>
Positive Fund Cash Balances	
General	757,286
Street	35,949
State Highway	29,741
Fire - 1989 Levy	508,917
2000 Fire Levy	513,476
Motor Vehicle License	205,656
Enforcement and Education	9,823
Park Improvement	121,625

Continued

# City of Monroe, Butler County

## Fiscal Emergency Analysis

Schedule V

Treasury Balances  
Ohio Revised Code Section 118.03 (B)  
As of April 30, 2004  
Continued

	Amounts April 30, 2004
Capital Improvement	\$1,986
Corridor I-75	196,664
S.A. Street Lighting	34,673
Water	3,603,551
Storm Water	11,340
Cemetery	62,304
Water Replacement and Improvement	5,661
Cemetery Trust	66,378
Long Street Trust	1,006
Law Enforcement Trust	7,218
Total Positive Fund Cash Balances	<u>6,173,254</u>
Treasury Balances Less Positive Fund Cash Balances	(3,679,472)
1/6th Treasury Receipts	<u>2,188,754</u>
Treasury Deficiency	<u><u>(\$1,490,718)</u></u>

### Conclusion

Schedules IV and V indicate that a fiscal emergency condition does exist under Section 118.03(A)(6) and Section 118.03(B) of the Ohio Revised Code as of December 31, 2003 and April 30, 2004. The treasury balance less the positive fund balances exceeded one-sixth of the treasury receipts as of December 31, 2003 and April 30, 2004 by \$155,085 and \$1,490,718, respectively.

### Summary

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency does exist at the City of Monroe as defined in Sections 118.03(A)(5) and (6) and Section 118.03(B) of the Ohio Revised Code and presented under Conditions 5 and 6 above as of December 31, 2003 and April 30, 2004.

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.



**Auditor of State  
Betty Montgomery**

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**CITY OF MONROE**

**BUTLER 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  
AUGUST 12, 2004**