



Dave Yost • Auditor of State

**Hamilton Township
Warren County, Ohio**

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

Local Government Services Section

Hamilton Township, Warren County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of Hamilton Township pursuant to Section 118.03 of the Ohio Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at Hamilton Township as defined in Section 118.03(A)(5), 118.03(A)(6), 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 Kurt Weber, President of the Board of Trustees of Hamilton Township; John R. Kasich, Governor; Timothy S. Keen, Director of the Office of Budget and Management; Jon A. Husted, Secretary of State; Josh Mandel, Treasurer of State; and Nick Nelson, Secretary of the Warren County Budget Commission.

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

DAVE YOST
Auditor of State

April 9, 2014

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Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, Auditor of State Dave Yost initiated a fiscal analysis of Hamilton Township, Warren County (the Township). The purpose of the analysis is to determine if the financial condition of the Township justifies the declaration of a fiscal watch or fiscal emergency.

A township 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 township which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in township funds; and 6) a sizeable deficiency when the township’s treasury balance is compared to the positive cash balances of the township’s funds.

The year-end conditions described under Conditions four, five, and six do not constitute a fiscal emergency if the Township 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, 2012, and December 31, 2013, 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 Township as of December 31, 2013, which consisted of four debt issues. A summary of the Township’s outstanding debt is presented below:

<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>
Various Purpose Refunding and Acquisition Bonds, Series 2011	August 30, 2011	2.0 - 4.0%	\$2,120,000
Infrastructure Bond Anticipation Note	March 29, 2012	1.14%	600,000
Park Note	November 7, 2011	1.90%	200,000
Ohio Public Works Commission Loan	July 1, 2011	0.00%	576,761

We obtained a list of outstanding debt from the 2012 and 2013 financial statements and reviewed the existing minutes for the period of January 1, 2013 through December 31, 2013 to identify any new debt issues. We obtained the vouchers for the payments made before December 31, 2013, and compared the billing statements, invoices, or requests for payment to the payment register and debt proceedings to determine if the Township met its debt obligations in a timely manner. We also reviewed the billing statements, invoices, and requests for payment for any delinquent amounts. There were no debt payments more than 30 days past due.

The debt issues, the payment dates, and the amounts due and paid prior to the date of determination are presented on the following page:

Hamilton Township, Warren County

Fiscal Emergency Analysis

Debt Issue	Interest Rate	Principal or Interest Payment Date	Amount Due	Payments 30 Days Past Due at 12/31/2013
Various Purpose Refunding and Acquisition Bonds, Series 2011	2.0 - 4.0%	12/01/13	\$185,000	\$0
Infrastructure Bond Anticipation Note	1.14%	03/14/13	600,000	0
Park Note	1.90%	11/01/13	67,000	0
Ohio Public Works Commission Loan	0.00%	01/01/14	0	0

Conclusion: A fiscal emergency condition does not exist under Ohio Revised Code Section 118.03(A)(1). The Township had not defaulted on any of its debt obligations for more than thirty days as of December 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, 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 Township as of December 31, 2013. We reviewed the minutes, resolutions, and had a discussion with the Payroll Officer to determine Township employees pay rates, frequency of payroll, and if any extensions for the payment of payroll existed. We reviewed the payroll register to determine whether Township employees had been paid within the time specified by the Township and Sections 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 December 31, 2013. All employees have been paid in the amounts and at the times required by resolutions.

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 Warren 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 Township 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 Warren County Budget Commission indicated that the Budget Commission had not taken any action for 2013 to increase the inside millage of the Township and 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 December 31, 2013. The Warren County Budget Commission has not taken any action to increase the inside millage of the Township, 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 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 of 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, 2012, that were due and payable from all funds, 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 benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. No accounts payable were found that had been due and payable for at least thirty days, or had penalties for failure to pay. Therefore, no further analysis was performed.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2012. There were no accounts payable from any funds which were at least thirty days past due at the end of the year. An analysis as of the date of determination was not completed because a fiscal emergency condition did not exist as of December 31, 2012.

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.

Hamilton Township, Warren County

Fiscal Emergency Analysis

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2012. The Township had no accounts payable or outstanding encumbrance listing available at year-end. We then determined if the aggregate deficit fund balance exceeded one-sixth of 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.

Schedule I

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 Fund Receipts	Unprovided Portion of Aggregate Deficit
Road and Bridge	(\$373,574)	\$0	(\$373,574)	\$130,487	(\$243,087)
Cemetery	(447)	0	(447)	4,123	0
New Building Bond	(2,106,503)	0	(2,106,503)	0	(2,106,503)
Bond	(238,764)	0	(238,764)	0	(238,764)
Subtotal	<u>(\$2,719,288)</u>	<u>\$0</u>	<u>(\$2,719,288)</u>	<u>\$134,610</u>	<u>(2,588,354)</u>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u><u>(\$2,588,354)</u></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 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.

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2013. The Township had no accounts payable or outstanding encumbrance listing available at year-end. We then determined if the aggregate deficit fund balance exceeded one-sixth of 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.

Hamilton Township, Warren County

Fiscal Emergency Analysis

Schedule II

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2013

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth Fund Receipts	Unprovided Portion of Aggregate Deficit
Road and Bridge	(\$328,686)	\$0	(\$328,686)	\$126,246	(\$202,440)
New Building Bond	(2,134,915)	0	(2,134,915)	0	(2,134,915)
Bond	(238,764)	0	(238,764)	0	(238,764)
Subtotal	<u>(\$2,702,365)</u>	<u>\$0</u>	<u>(\$2,702,365)</u>	<u>\$126,246</u>	<u>(2,576,119)</u>

Funds Available for Transfer	0
Total Unprovided Portion of Aggregate Deficit Funds	<u>(\$2,576,119)</u>

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, 2012 and December 31, 2013. The total unprovided portion of aggregate deficit funds as of December 31, 2012 and December 31, 2013, are \$2,588,354 and \$2,576,119, 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.

Hamilton Township, Warren County

Fiscal Emergency Analysis

We verified the Township's reconciled bank balances to its fund cash balances for all funds as of December 31, 2012, and as of December 31, 2013, which included subtracting reconciling factors to arrive at the treasury balance. 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 2012 and 2013 to determine if a treasury deficiency exists.

Schedule III

Treasury Balances
Ohio Revised Code Section 118.03(A)(6) and 118.03(B)
As of December 31, 2012 and December 31, 2013

	<u>Amounts at December 31, 2012</u>	<u>Amounts at December 31, 2013</u>
Bank Cash Balances:		
LCNB National Bank	\$6,601,976	\$4,199,628
Impact Fees Account	494,652	52,244
Helping Hands Account	541	541
Certificates of Deposit	100,150	3,102,111
<i>Total Bank Cash</i>	<u>7,197,319</u>	<u>7,354,524</u>
<i>Less Reconciling Factors for:</i>		
Outstanding Checks	<u>(584,140)</u>	<u>(279,194)</u>
<i>Total Treasury Balance</i>	<u>6,613,179</u>	<u>7,075,330</u>
Less: Positive Cash Fund Balances		
General	209,768	167,700
Police	1,424,980	1,524,545
Web Check	3,291	3,326
Motor Vehicle License Tax	24,915	5,919
Gasoline Tax	232,529	267,925
Cemetery	0	6,670
Light Assessment	143,117	127,161
Law Enforcement Trust	0	4,130
Fire	601,641	647,434
Emergency Medical Services (EMS)	92,050	92,356
Tax Increment Financing (TIF)	1,504,330	1,448,452
Trust	49,598	49,598
Drug Law Enforcement	145,898	137,021
Permissive Motor Vehicle Tax	13,819	85,143
Medical Services	2,047,809	2,313,859

(continued)

Hamilton Township, Warren County

Fiscal Emergency Analysis

Schedule III
(continued)

Treasury Balances
Ohio Revised Code Section 118.03 (A)(6) and 118.03(B)
As of December 31, 2012 and December 31, 2013

	Amounts at <u>December 31, 2012</u>	Amounts at <u>December 31, 2013</u>
Fastcop	\$577	\$577
Park Impact	10,027	0
Road and Bridge Impact	348,634	0
Police Impact	15,858	0
Fire District Impact	54,548	0
Fire/EMS Combined Levy	2,408,534	2,895,337
Helping Hands	541	541
<i>Total Positive Cash Balances</i>	<u>9,332,464</u>	<u>9,777,694</u>
Treasury Deficit	(2,719,285)	(2,702,364)
One-sixth of Treasury Receipts	1,795,134	1,654,283
Treasury Deficiency	<u><u>(\$924,151)</u></u>	<u><u>(\$1,048,081)</u></u>

Conclusion: Schedule III indicates that a fiscal emergency condition does exist under section 118.03(A)(6) and 118.03(B) of the Ohio Revised Code. The treasury deficit exceeded one-sixth of the treasury receipts at December 31, 2012 and December 31, 2013, by \$924,151 and \$1,048,081, 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 Hamilton Township as defined in Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B) of the Ohio Revised Code as presented in Schedules I, II and III above as of December 31, 2012 and December 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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HAMILTON TOWNSHIP

WARREN 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
APRIL 9, 2014**