



Dave Yost • Auditor of State

**St. Clair Township
Butler County, Ohio**

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

Local Government Services Section

St. Clair Township, Butler County

Fiscal Emergency Analysis

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Declaration of Fiscal Emergency

The Auditor of State performed a fiscal analysis of St. Clair 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 St. Clair Township 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 Gary Couch, President of the Board of Trustees of St. Clair 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 Roger Reynolds, Secretary of the Butler County Budget Commission.

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

DAVE YOST
Auditor of State

May 15, 2014

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Fiscal Emergency Analysis

Introduction

As provided by Sections 118.021 and 118.04(A) of the Ohio Revised Code, the Board of Trustees requested that a fiscal analysis be performed by the Auditor of State for St. Clair Township, Butler County (the Township). The purpose of the analysis was 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 in the township's treasury when the 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 two debt issues. A summary of the Township's outstanding debt is as follows:

<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>
Building Acquisition Loan	August 30, 2007	4.75%	\$144,000
Ambulance Purchase Loan	January 1, 2011	2.20	100,000

We obtained a list of outstanding debt and the amortization schedules from the fiscal officer to identify the last scheduled payments. We compared the list of outstanding debt to the latest audit report. We also compared debt service payments in the expense ledger to the amortization schedules to determine payments made were timely and correct. The debt issues, the payment dates, and the amounts due and paid prior to the date of determination are presented below:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Principal and Interest Payment Date</u>	<u>Amount Due</u>	<u>Payments 30 Days Past Due at 12/31/2013</u>
Building Acquisition Loan	4.75%	12/31/2013	\$1,520	\$0
Ambulance Purchase Loan	2.20	12/31/2013	2,873	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 had a discussion with the Fiscal Officer to determine Township employees pay rates, frequency of payroll, and if there were any extensions for the payment of payroll existed. We reviewed the cash journal, payroll register, and time cards 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 had been paid in 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 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 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 Butler 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 Butler County Budget Commission has not taken any action to increase the inside millage of the Township, thus reducing another subdivision's inside 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 prepared a schedule of all accounts payable as of December 31, 2012, that were due and payable from all funds other than the general fund, 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. It was not necessary to proceed further with this analysis since there was a sufficient balance in all funds to pay all existing payables over thirty days past due.

Schedule I

Accounts Payable From All Funds
Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2012

Funds	Payables Over 30 Days Past Due	Fund Balance Available
Road and Bridge	\$111	\$28,616

There were no payables over thirty days past due in the general fund.

Conclusion: Schedule I indicates that a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. Accounts payable which were at least thirty days past due at December 31, 2012 did not exceed the available fund balances. An analysis as of the date of determination was not completed because a fiscal emergency condition did not exist as of December 31, 2012.

St. Clair Township, Butler 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, 2012, 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 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 December 31, 2012

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds with Deficit Balances	One-Sixth of Fund Budget/ Receipts	Unprovided Portion of Aggregate Deficit
General	(\$49,920)	\$0	(\$49,920)	\$44,817	(\$5,103)
Life Squad	(8,209)	0	(8,209)	10,350	0
Ambulance and Emergency	(41,261)	0	(41,261)	22,500	(18,761)
Lighting Districts Special	(2,742)	0	(2,742)	1,692	(1,050)
Subtotal	<u>(\$102,132)</u>	<u>\$0</u>	<u>(\$102,132)</u>	<u>\$79,359</u>	<u>(24,914)</u>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u><u>(\$24,914)</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.

St. Clair Township, Butler County

Fiscal Emergency Analysis

We computed the adjusted aggregate sum of all deficit funds as of December 31, 2013, 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 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 III

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 of Fund Budget/ Receipts	Unprovided Portion of Aggregate Deficit
General	(\$195,340)	(\$12,839)	(\$208,179)	\$43,455	(\$164,724)
Life Squad	(32,436)	(2,236)	(34,672)	14,250	(20,422)
Ambulance and Emergency	(425)	0	(425)	18,333	0
Lighting Districts Special	(6,680)	0	(6,680)	1,667	(5,013)
Subtotal	<u>(\$234,881)</u>	<u>(\$15,075)</u>	<u>(\$249,956)</u>	<u>\$77,705</u>	<u>(190,159)</u>
Funds Available for Transfer					<u>0</u>
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$190,159)</u>

Conclusion: Schedules II and III indicate that a fiscal emergency condition exists under Section 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 \$24,914 and \$190,159, 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 Township's reconciled bank balances to its fund cash balances for all funds as of December 31, 2012, 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 to determine if a treasury deficiency exists. No further calculations were necessary because positive cash balances were greater than the treasury deficit at December 31, 2012.

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Schedule IV

	Amounts at <u>December 31, 2012</u>
Bank Cash Balances:	
First Financial Bank	\$348,624
Certificates of Deposit	480,943
<i>Total Bank Cash</i>	<u>829,567</u>
<i>Less Reconciling Factors for:</i>	
Deposits in Transit	4,838
Miscellaneous Payroll Adjustments	5,208
Outstanding Checks	<u>(18,830)</u>
<i>Total Treasury Balance</i>	<u>820,783</u>
Less: Positive Cash Fund Balances	
Motor Vehicle License Tax	7,570
Gasoline Tax	43,261
Road and Bridge	238,920
Cemetery	77,273
Garbage and Waste Disposal	46,239
Fire District	385,982
Road District	28,616
Permissive Motor Vehicle Tax	89,982
Ohio Department of Public Safety Grant	5,000
Hamilton County Foundation	<u>72</u>
Total Positive Cash Fund Balances	<u>922,915</u>
Treasury Deficit	(102,132)
One-sixth of Treasury Receipts	<u>254,386</u>
Treasury Surplus	<u><u>\$152,254</u></u>

Conclusion: Schedule IV above indicates that a fiscal emergency condition does not exist under section 118.03(A)(6) of the Ohio Revised Code. There was no treasury deficiency at December 31, 2012. An analysis as of the date of determination was not completed because a fiscal emergency condition did not exist as of December 31, 2012.

Summary

A fiscal emergency is the existence of at least one of the conditions defined above. This analysis indicates that a fiscal emergency exists at St. Clair Township as defined in Section 118.03(A)(5) and 118.03(B) of the Ohio Revised Code as presented in Schedules 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.



Dave Yost • Auditor of State

ST. CLAIR TOWNSHIP

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
MAY 15, 2014**