



Dave Yost • Auditor of State

**Hamilton Township
Warren County**

Fiscal Emergency Termination

Local Government Services

Hamilton Township, Warren County

Fiscal Emergency Termination

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Hamilton Township Financial Forecast
For the Years Ending December 31, 2015 through December 31, 2019

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Dave Yost • Auditor of State

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of Hamilton Township, the Auditor of State performed an analysis of Hamilton Township to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that Hamilton Township no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of Hamilton Township and its role in the operation of Hamilton Township is terminated as of October 1, 2015.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Kurt Weber, Chairman of the Board of Trustees; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; Jon Husted, Secretary of State; and Matt Nolan, Warren County Auditor.

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DAVE YOST
Auditor of State

October 1, 2015

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Hamilton Township, Warren County
Report on the Termination of the Hamilton Township
Financial Planning and Supervision Commission

Report on the Termination of the Hamilton Township Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of Hamilton Township, Warren County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new fiscal emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Page six of the report indicate that the Township has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page seven.

We have reviewed the objectives of the financial plan and determined that the Township has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page ten.

We examined and issued a non-adverse report on the five-year forecast prepared by the Township. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of Hamilton Township, the Auditor of State of Ohio, the Governor of Ohio, the Chairman of the Board of Trustees of Hamilton Township, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Hamilton Township, Warren County
Report on the Termination of the Hamilton Township
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System

When a Township is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Township's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of Hamilton Township (the Township) and issued a Report on Accounting Methods, dated May 26, 2015. The report identified areas where the Township's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

Section 5705.34 of the Revised Code requires a passage of resolution to authorize necessary tax levies by Board of Trustees and certified to the County Auditor before October 1st each year. The Township did not pass a Resolution Accepting Rates and consequently did not certify resolution by October 1, 2014.

Implemented

The Township Trustees approved a resolution accepting the amounts and rates as determined by the budget commission and authorizing the necessary tax levies on September 2, 2015. The resolution was certified to the County Auditor on September 3, 2015.

Accounting Journals and Ledgers

Auditor of State Comment from Report on Accounting Methods

On February 6, 2013, the Township approved a written disaster recovery plan, which identifies how the Township would react if a major disaster was to affect the community. However, there is no mention of a plan to restore information technology and accounting functions of the Township.

Implemented

The Board of Trustees has adopted a new written disaster recovery plan that identifies how the Township will react if a major disaster would affect the community and how the Township will restore information technology and accounting functions of the Township.

Audit Report and Management Letters

The Township Officials traditionally receive a compliance and management letter at the conclusion of each annual audit. There were no letters that accompanied the December 31, 2014 audit as the Township did not have any noncompliance issues nor recommendations.

Hamilton Township, Warren County
 Report on the Termination of the Hamilton Township
 Financial Planning and Supervision Commission

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(3)(b) of the Ohio Revised Code, the Township shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the 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 August 31, 2015, which consisted of two 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>	<u>Balance at 8/31/2015</u>
Various Purpose Refunding and Acquisition Bonds, Series 2011	August 30, 2011	2% to 4%	\$2,120,000	\$1,445,000
Ohio Public Works Commission Loan	July 1, 2011	0%	576,761	530,621
			<u>\$2,696,761</u>	<u>\$1,975,621</u>

We reviewed the outstanding indebtedness of the Township as of August 31, 2015. The Township has \$1,975,621 in outstanding debt at August 31, 2015 and has made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code as of August 31, 2015. The Township has not defaulted on any debt obligations.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the 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 township in the amounts and at the times required by laws, 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.

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Report on the Termination of the Hamilton Township
Financial Planning and Supervision Commission

We reviewed the payroll records of the Township as of August 31, 2015. We reviewed the minutes, resolutions, and had a discussion with the Payroll Officer to determine the 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 Revised Code as of August 31, 2015. All employees had been paid in the amounts and at the times required by resolutions.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the 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 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 Revised Code, in the minimum levy of the Township for 2014 or 2015, 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 Commission had not taken any action for tax year 2014 or 2015 to increase the minimum levy of the Township.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of August 31, 2015.

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the 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 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 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.

We prepared a schedule of accounts payable as of December 31, 2014, 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, 2014, including, but not limited to, final judgments, fringe benefits payments due and payable, and

Hamilton Township, Warren County
Report on the Termination of the Hamilton Township
Financial Planning and Supervision Commission

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. Since the available fund balance exceeded the accounts payable, no further calculations were necessary.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2014. There were no payables in excess of available fund balance in any of the Township's funds.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the 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 at December 31, 2014, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2014.

Condition Six - Treasury Balances

Section 118.03(A)(6) of the 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 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 balance to its cash summary by fund for all funds as of December 31, 2014, which included subtracting reconciling factors to arrive at the 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. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

Hamilton Township, Warren County
 Report on the Termination of the Hamilton Township
 Financial Planning and Supervision Commission

Schedule I

Treasury Balances
 Ohio Revised Code Section 118.03(A)(6)
 As of December 31, 2014

Bank Cash Balance

Citizens Deposit Bank	\$8,536,598
<i>Adjustments for:</i>	
Deposit in Transit	400
Outstanding Checks	(141,691)
<i>Total Treasury Balance</i>	8,395,307

Less: Positive Cash Fund Balances

General	619,435
Motor Vehicle License Tax	31,504
Gasoline Tax	82,150
Road and Bridge	67,605
Cemetery	21,766
Police District	1,494,368
Legacy Fund - Fire Special Levy	105,783
Drug Law Enforcement	104,742
Permissive Motor Vehicle License Tax	95,114
Law Enforcement Trust	4,098
Legacy Fund - EMS Special Levy	94,259
Fire and EMS Special Levy	3,636,423
Lighting District	113,063
TIF	1,923,609
Fastcop and LOEB Grant	577
Fire House Fund - Agency	811
Total Positive Cash Fund Balances	8,395,307
Treasury Deficiency	\$0

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2014. The treasury balance less the positive fund cash balances as of December 31, 2014, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Township and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and

Hamilton Township, Warren County
Report on the Termination of the Hamilton Township
Financial Planning and Supervision Commission

- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Township in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding 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 herein.

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APPENDIX A

**Hamilton Township
Warren County**

Financial Forecast

For the Years Ending December 31, 2015 through December 31, 2019

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Hamilton Township, Ohio

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Dave Yost • Auditor of State

Hamilton Township Trustees
Hamilton Township
7780 South State Route 48
Maineville, Ohio 45039

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, and changes in fund balance of the various funds of Hamilton Township, for the five years ending December 31, 2019. These statements are presented on the budget basis of accounting used by Hamilton Township rather than on generally accepted accounting principles. Hamilton Township's management is responsible for the forecast. Our responsibility is to determine whether the Township has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of Hamilton Township and the Financial Planning and Supervision Commission of Hamilton Township and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

DAVE YOST
Auditor of State

September 21, 2015

Hamilton Township, Warren County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For The Years Ended December 31, 2012, Through 2014, Actual
and Ending December 31, 2015, Through 2019, Forecasted
Road and Bridge Fund

	2012	2013	2014
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
<u>Revenues</u>			
Property Taxes	\$658,000	\$642,000	\$647,000
Charges for Services	3,000	10,000	0
Intergovernmental	115,000	107,000	118,000
Other	<u>7,000</u>	<u>15,000</u>	<u>32,000</u>
Total Revenues	<u>783,000</u>	<u>774,000</u>	<u>797,000</u>
<u>Expenditures</u>			
Transportation			
Personal Services	475,000	442,000	213,000
Fringe Benefits	281,000	149,000	144,000
Contractual Services	106,000	54,000	31,000
Supplies and Materials	<u>135,000</u>	<u>67,000</u>	<u>29,000</u>
Total Expenditures	<u>997,000</u>	<u>712,000</u>	<u>417,000</u>
Excess of Revenues Over (Under) Expenditures	(214,000)	62,000	380,000
<u>Other Financing Sources (Uses)</u>			
Advances In	0	0	0
Advances Out	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(214,000)	62,000	380,000
Fund Balance (Deficit) Beginning of Year	<u>(160,000)</u>	<u>(374,000)</u>	<u>(312,000)</u>
Fund Balance (Deficit) End of Year	<u><u>(\$374,000)</u></u>	<u><u>(\$312,000)</u></u>	<u><u>\$68,000</u></u>

<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>	<u>2018</u> <u>Forecasted</u>	<u>2019</u> <u>Forecasted</u>
\$658,000	\$697,000	\$711,000	\$725,000	\$740,000
6,000	0	0	0	0
110,000	112,000	114,000	116,000	118,000
10,000	10,000	10,000	10,000	11,000
<u>784,000</u>	<u>819,000</u>	<u>835,000</u>	<u>851,000</u>	<u>869,000</u>
393,000	384,000	390,000	396,000	402,000
216,000	218,000	219,000	220,000	221,000
16,000	17,000	17,000	18,000	18,000
0	0	0	0	0
<u>625,000</u>	<u>619,000</u>	<u>626,000</u>	<u>634,000</u>	<u>641,000</u>
159,000	200,000	209,000	217,000	228,000
185,000	0	0	0	0
(185,000)	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
159,000	200,000	209,000	217,000	228,000
68,000	227,000	427,000	636,000	853,000
<u>\$227,000</u>	<u>\$427,000</u>	<u>\$636,000</u>	<u>\$853,000</u>	<u>\$1,081,000</u>

Hamilton Township, Warren County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For The Years Ended December 31, 2012, Through 2014, Actual
and Ending December 31, 2015, Through 2019, Forecasted
New Building Bond Retirement Fund

	2012 <u>Actual</u>	2013 <u>Actual</u>	2014 <u>Actual</u>
<u>Revenues</u>	\$0	\$0	\$0
<u>Expenditures</u>			
Bond Principal Retirement	190,000	185,000	180,000
Interest	<u>61,000</u>	<u>57,000</u>	<u>53,000</u>
Total Expenditures	<u>251,000</u>	<u>242,000</u>	<u>233,000</u>
Excess of Revenues Over (Under) Expenditures	(251,000)	(242,000)	(233,000)
<u>Other Financing Sources</u>			
Transfers In	<u>0</u>	<u>213,000</u>	<u>2,368,000</u>
Net Change in Fund Balance	(251,000)	(29,000)	2,135,000
Fund Balance (Deficit) Beginning of Year	<u>(1,855,000)</u>	<u>(2,106,000)</u>	<u>(2,135,000)</u>
Fund Balance (Deficit) End of Year	<u><u>(\$2,106,000)</u></u>	<u><u>(\$2,135,000)</u></u>	<u><u>\$0</u></u>

<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>	<u>2018</u> <u>Forecasted</u>	<u>2019</u> <u>Forecasted</u>
\$0	\$0	\$0	\$0	\$0
180,000	180,000	110,000	110,000	105,000
<u>50,000</u>	<u>46,000</u>	<u>39,000</u>	<u>34,000</u>	<u>31,000</u>
<u>230,000</u>	<u>226,000</u>	<u>149,000</u>	<u>144,000</u>	<u>136,000</u>
(230,000)	(226,000)	(149,000)	(144,000)	(136,000)
<u>230,000</u>	<u>226,000</u>	<u>149,000</u>	<u>144,000</u>	<u>136,000</u>
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Hamilton Township, Warren County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 1 - The Township

Hamilton Township (the Township) is located in Southern Ohio in Warren County. The Township is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The decision making process is directed by an elected Township Board of Trustees. The Board of Trustees is the legislative authority of Hamilton Township and consists of three members who are elected at large and serve terms of four years. The Township also has a separately elected Fiscal Officer which assists the Trustees.

On April 9, 2014, the Auditor of State's Office declared Hamilton Township to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission (the Commission). The Commission is comprised of the Chairman of the Board of Trustees, the Warren County Auditor, three individuals whose residency or principal place of business is within the Township, and a designee from both the State Treasurer's Office and the Office of Budget and Management. This Commission is required to adopt a financial recovery plan for the Township. Once the plan has been adopted, the Township's discretion is limited in that all financial activity of the Township must be in accordance with the plan.

Hamilton Township provides general governmental services including police and fire protection, street construction and maintenance, cemetery maintenance and emergency medical services. The operation of each of these activities is directly controlled by the Board of Trustees through the budgetary process. The administration includes the Board of Trustees, the Fiscal Officer and the Township Administrator.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Township's knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Township's judgment, as of September 21, 2015, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Township. These funds include the Road and Bridge Fund and New Building Bond Retirement Fund.

Road and Bridge Fund – This fund accounts for property tax from inside millage restricted for the construction, maintenance and repair of Township roads.

New Building Bond Retirement Fund – This fund accounts for and reports resources committed for the retirement of debt issued to finance the Township's administration building.

Hamilton Township, Warren County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Township is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The Township maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the Township and is used to account for and report all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to disbursement for principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Township’s own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Township, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Township must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year is not ready for approval by the Board of Trustees. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation resolution must be legally enacted by the Board of Trustees. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Township uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property and public utility personal property. The Township may request advances from the Warren County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Township are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Township for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue".

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All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2012 for the taxes collected in 2013. A triennial update was completed in 2015 for taxes collected in 2016. The next reappraisal is scheduled to take place in 2018 for taxes collected in 2019.

The Township's assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	Collection Year			
	2011	2012	2013	2014
Real Property				
Residential and Agricultural	\$562,773,580	\$537,598,140	\$541,518,930	\$551,157,200
Commercial and Industrial	16,406,790	15,510,420	15,044,660	15,228,530
Public Utility Personal Property	15,735,020	16,204,970	17,448,840	18,623,420
Duke Energy	2,529,140	0	0	0
Total Assessed Value	<u>\$597,444,530</u>	<u>\$569,313,530</u>	<u>\$574,012,430</u>	<u>\$585,009,150</u>

The property tax revenues are generated from inside millage receipted into the General Fund and the Road and Bridge Fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Fund	Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Millage	n/a	n/a	n/a	\$1.00
Road and Bridge Fund	Inside Ten Millage	n/a	n/a	n/a	1.30
Police Fund	Current Expense	2013	2014	2018	3.00
Police Fund	Current Expense	2010	2011	2015	1.00
Fire Fund	Current Expense	2011	2012	2016	2.00
Fire Fund	Current Expense	2012	2013	2017	3.00
Total Tax Rate					<u>\$11.30</u>

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

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Real Property Taxes – The Township abolished a Tax Increment Financing District in 2015. The abolishment of the Tax Increment Financing District will cause a six percent increase in property tax revenues for fiscal year 2016 according to the County Auditor. The County Auditor is also expecting at least a two percent increase in years 2017 through 2019 of the forecast due to the continued growth of the Township.

B. Intergovernmental Revenues

Intergovernmental revenues include property tax allocations for rollback, homestead, and tangible personal property loss reimbursements. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

Until calendar year 2011, local governments were reimbursed in full by the State for their levy losses related to the phase out of business personal property tax and the reduction of assessment rates on personal property for electric and natural gas companies.

In 2011, House Bill 153 modified the schedule for making those reimbursements by accelerating the previous mandated phase out.

In 2012, House Bill 508 went into effect. It provided technical changes to the formula used to calculate fixed rate losses pertaining to utility personal property tax and business personal property tax expense levies. In addition, beginning in 2012, the amount to be reimbursed to a local government for fixed sum levies was reduced from 100 percent to 50 percent.

House Bill 64, effective June 30, 2015, resumes the phase-out payments made to townships to partly reimburse for loss of tangible personal property tax. The resumption of the reimbursement phase-out begins in fiscal year 2016 on the Townships combined business and utility property tax replacement payments received in fiscal year 2015. The townships replacement payments for most current expense levies will be made in fiscal year 2016 only if and to the extent the fiscal year 2015 payments represents more than two percent of districts total resources. In fiscal year 2017, the percentage increases from two to four percent and increases two percent each year thereafter.

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the 10 percent and 2.5 percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 adjusted the homestead exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed \$30,000. These changes reduce reimbursements from the State and increase real property tax revenue.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. In 2011, House Bill 153 made reductions in the local government funding for fiscal years 2012 and 2013. These reductions are approximately 25 percent and 50 percent

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less than 2011 funding amounts for 2012 and 2013, respectively. No increases are projected for future years.

The homestead and rollback revenue will follow the same percentage of increase property taxes since the Township has no new tax levies. The Township also received tangible personal property loss reimbursements which are expected to remain the same throughout the forecast period. In prior years, workers' compensation reimbursements were recorded, but no amounts are forecasted.

Note 5 - Specific Fund Revenue Assumptions

A. Road and Bridge Fund

Charges for Services – In prior years the Township has recorded revenues for snow removal fees. This number has fluctuated significantly from year to year and is not a guaranteed revenue source. Therefore, snow removal fees are forecasted for 2015 for the amount received to date. No snow removal fees are forecasted in years 2016 through 2019.

Other – Other revenues consist of reimbursements for employee's withholdings which was forecasted to remain consistent. In 2014, there were real estate assessment fee reimbursement from the County Auditor which are not expected in the future per the County Auditor.

Advances In – Due to cash flow issues based on timing of property tax revenues during 2015 and a low beginning fund balance, the Township had to advance monies from the General Fund. No other advances are forecasted during the forecast years.

B. New Building Bond Retirement Fund

Transfers In – The General Fund and Police Levy Fund each provide half of the transfer amount that appears in New Building Bond Retirement Fund for the debt payments being paid from this fund. The Police department is housed within the administration building and the levy language allows for this transfer.

Note 6 - Expenditure Assumptions

A. Road and Bridge Fund

Personal Services – Personal services include the salaries paid to the employees. The Township's employees are paid on a bi-weekly basis.

There is a significant increase in personal services in the forecast for 2015 due to the Road Crew being paid 100 percent from the Road and Bridge Fund. In prior years, these employees were paid from several road type funds. In 2015, there were two new employees hired to fill vacant positions halfway through the year. These new employees will be paid a lower pay rate. In December 2014, the Board of Trustees passed a resolution to pay a percentage of administration employees personal services and fringe benefits from the Road and Bridge Fund.

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In 2016 there will be a slight decrease in personal services due to the new employees replacing former employees for an entire year. These employees were hired at a starting wage which was lower than the employees they replaced halfway through 2015. In 2017 through 2019, personal services are forecasted to increase due to an annual base increase of one and a half percent.

Fringe Benefits – Fringe benefits include employer contributions to the State pension system, workers' compensation, Medicare, health, life, dental, vision insurance, short-term and long-term disability, voluntary life insurance, vacation, sick and personal days. There is also one part-time employee who receives Social Security. The Township also provides \$10 reimbursement to employees who use their personal cell phone for Township business.

All employees, with the exception of one part-time employee, paid from the Road and Bridge Fund participate in the Ohio Public Employees Retirement System (OPERS). OPERS provide basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits for OPERS are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual covered wages and the Township is required to contribute 14 percent (the maximum) of annual covered wages.

The Road and Bridge Fund employees that opt to have health, life, dental, disability or voluntary life insurance through the Township pay 12 percent of their premiums. The Township is responsible for 88 percent of the premium amount.

Workers' compensation coverage is provided by the State of Ohio. The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries.

The Fringe Benefits trend throughout the forecast will follow closely with the personal services. There will be a significant increase in 2015, a slight drop in 2016 and then in years 2017 through 2019 there will be a slight increase due to the one and a half percent increase in personal services each year that is predicted.

Contractual Services – Contracted Services for the Road and Bridge Fund consist of allocated auditing costs, accounting system and software fees as well as tax collection fees, utilities and other miscellaneous contracted services.

Tax collection fees are expected to increase in the forecast each year due to the forecasted increase within property tax revenues.

In prior years, utilities included garbage and trash removal, telephone and electricity. These expenses have been reevaluated and have been recognized as General Fund and Park Fund expenses by the Township. There are no utility expenses forecasted.

All other contractual services are expected to remain consistent during the forecast period.

Supplies and Materials – In prior years, the supplies and materials that were expensed in the Road and Bridge fund were for salt and snow removal materials. These are now being expensed from the Permissive fund.

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B. New Building Bond Retirement Fund

Debt Service – The New Building Bond Retirement Fund has expenditures of principal and interest payments on the Township’s Administration Building.

Various Purpose Refunding and Acquisition Bond, Series 2011

Year Ending December 31,	General Fund Portion of Principal	General Fund Portion of Interest	Police Levy Portion of Principal	Police Portion of Interest
2015	\$90,000	\$24,763	\$90,000	\$24,763
2016	90,000	22,963	90,000	22,963
2017	55,000	19,363	55,000	19,363
2018	55,000	17,163	55,000	17,163
2019	52,500	15,513	52,500	15,513
Total	<u>\$342,500</u>	<u>\$99,765</u>	<u>\$342,500</u>	<u>\$99,765</u>

Note 7 - Other Funds

Bond Retirement Fund

When declared in fiscal emergency, the Bond Retirement Fund also had a deficit fund balance. During 2014, transfers were made from the General Fund to eliminate the deficit. No activity has occurred in the fund during 2015 and the Township does not anticipate any activity in this fund during the forecast period.

The Township has several other funds that account for resources that are restricted for specific purposes as well as General Fund. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Note 8 - Pending Litigation

The Township is not party to any legal proceedings.

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Dave Yost • Auditor of State

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
OCTOBER 1, 2015**