

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2006 and 2005

KAREN SCHUTTE, FISCAL OFFICER



Mary Taylor, CPA

Auditor of State

Board of Trustees
Hamilton Township
6400 Lockbourne Road
Lockbourne, Ohio 43137

We have reviewed the *Independent Auditor's Report* of Hamilton Township, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Hamilton Township is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA
Auditor of State

July 18, 2007

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**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Hamilton Township
Franklin County
6400 Lockbourne Road
Lockbourne, Ohio 43137

We have audited the accompanying financial statements of Hamilton Township, Franklin County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of Hamilton Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 2, Hamilton Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Hamilton Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Hamilton Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Hamilton Township has elected not to reformat its statements. Since Hamilton Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hamilton Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of Hamilton Township, Franklin County as of December 31, 2006 and 2005, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting as described in Note 2.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2007, on our consideration of Hamilton Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 7, 2007

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2006 AND 2005

<u>Cash and Investments</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$ 55,085	\$ 139,754
Investments	<u>4,077,000</u>	<u>3,535,000</u>
Total Cash and Investments	<u>\$ 4,132,085</u>	<u>\$ 3,674,754</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 1,798,087	\$ 1,547,770
Special Revenue Funds	2,319,192	2,112,178
Capital Projects Funds	<u>14,806</u>	<u>14,806</u>
Total Governmental Fund Types	<u>4,132,085</u>	<u>3,674,754</u>
Total Fund Balances	<u>\$ 4,132,085</u>	<u>\$ 3,674,754</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 199,913	\$ 2,933,020	\$ -	\$ 3,132,933
Intergovernmental	295,417	253,171	-	548,588
Licenses and permits	29,856	-	-	29,856
Fines and forfeitures	21,516	-	-	21,516
Interest	128,397	7,154	-	135,551
Miscellaneous	4,637	47,196	-	51,833
Total cash receipts	<u>679,736</u>	<u>3,240,541</u>	<u>-</u>	<u>3,920,277</u>
Cash disbursements:				
Current:				
General government	364,086	-	-	364,086
Public safety	-	2,894,387	-	2,894,387
Public works	15,506	77,077	-	92,583
Health	18,972	-	-	18,972
Conservation - recreation	19,867	-	-	19,867
Capital outlay	71,537	62,063	-	133,600
Total cash disbursements	<u>489,968</u>	<u>3,033,527</u>	<u>-</u>	<u>3,523,495</u>
Total cash receipts over cash disbursements	<u>189,768</u>	<u>207,014</u>	<u>-</u>	<u>396,782</u>
Other financing receipts:				
Other sources	60,549	-	-	60,549
Total other financing receipts	<u>60,549</u>	<u>-</u>	<u>-</u>	<u>60,549</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	250,317	207,014	-	457,331
Cash fund balances, January 1, 2006	<u>1,547,770</u>	<u>2,112,178</u>	<u>14,806</u>	<u>3,674,754</u>
Cash fund balances, December 31, 2006	<u>\$ 1,798,087</u>	<u>\$ 2,319,192</u>	<u>\$ 14,806</u>	<u>\$ 4,132,085</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 1,651,189	\$ 399,324	\$ 2,050,513	\$ 740,285	\$ 340,961	\$ 281	\$ 1,454,800	\$ 1,455,081	\$ 489,968	\$ 281	\$ 490,249	\$ 964,832
Special Revenue	2,127,105	3,133,200	5,260,305	3,240,541	107,341	2,636	3,844,000	3,846,636	3,033,527	2,636	3,036,163	810,473
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-
Total												
(Memorandum Only)	\$ 3,778,294	\$ 3,532,524	\$ 7,310,818	\$ 3,980,826	\$ 448,302	\$ 2,917	\$ 5,298,800	\$ 5,301,717	\$ 3,523,495	\$ 2,917	\$ 3,526,412	\$ 1,775,305

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash receipts:				
Local taxes	\$ 170,821	\$ 2,701,639	\$ -	\$ 2,872,460
Intergovernmental	275,106	343,561	14,806	633,473
Licenses and permits	30,362	-	-	30,362
Fines and forfeitures	17,612	-	-	17,612
Interest	66,437	3,346	-	69,783
Miscellaneous	5,084	66,336	-	71,420
Total cash receipts	<u>565,422</u>	<u>3,114,882</u>	<u>14,806</u>	<u>3,695,110</u>
Cash disbursements:				
Current:				
General government	367,032	-	-	367,032
Public safety	-	2,631,497	-	2,631,497
Public works	13,810	86,631	-	100,441
Health	9,872	-	-	9,872
Conservation - recreation	28,308	-	-	28,308
Capital outlay	58,415	51,039	-	109,454
Total cash disbursements	<u>477,437</u>	<u>2,769,167</u>	<u>-</u>	<u>3,246,604</u>
Total cash receipts over cash disbursements	<u>87,985</u>	<u>345,715</u>	<u>14,806</u>	<u>448,506</u>
Other financing receipts:				
Other sources	16,696	-	-	16,696
Total other financing receipts	<u>16,696</u>	<u>-</u>	<u>-</u>	<u>16,696</u>
Excess of cash receipts and other financing receipts over cash disbursements	104,681	345,715	14,806	465,202
Cash fund balances, January 1, 2005	<u>1,443,089</u>	<u>1,766,463</u>	<u>-</u>	<u>3,209,552</u>
Cash fund balances, December 31, 2005	<u>\$ 1,547,770</u>	<u>\$ 2,112,178</u>	<u>\$ 14,806</u>	<u>\$ 3,674,754</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 1,531,703	\$ 516,198	\$ 2,047,901	\$ 582,118	\$ 65,920	\$ 281	\$ 1,309,000	\$ 1,309,281	\$ 477,437	\$ 281	\$ 477,718	\$ 831,563
Special Revenue	1,781,390	3,026,597	4,807,987	3,114,882	88,285	2,636	3,383,500	3,386,136	2,769,167	2,636	2,771,803	614,333
Capital Projects	-	-	-	14,806	-	-	-	-	-	-	-	-
Total												
(Memorandum Only)	\$ 3,313,093	\$ 3,542,795	\$ 6,855,888	\$ 3,711,806	\$ 154,205	\$ 2,917	\$ 4,692,500	\$ 4,695,417	\$ 3,246,604	\$ 2,917	\$ 3,249,521	\$ 1,445,896

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**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 1 - DESCRIPTION OF THE ENTITY

Hamilton Township, Franklin County, Ohio, (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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, fire protection and emergency medical services, and conservation-recreation.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Township's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The Township uses fund accounting to segregate cash and cash equivalents that are restricted as to use. The Township classifies its funds into the following types:

Governmental Fund Types

General Fund

The general fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

The Township had the following significant special revenue funds:

Fire District Fund - This fund receives property tax money for providing emergency services to Township residents.

Police District Fund - This fund receives property tax money for providing security to Township residents. This service is contracted through Franklin County.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following capital project fund:

Federal Emergency Management Agency (FEMA) - This fund receives grant proceeds for providing emergency repairs.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all 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. The primary level of budgetary control is at the item level within a department and fund. Any budgetary modifications at this level may only be made by resolution of the Township's Board of Trustees.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal 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 for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Township had no supplemental appropriations during 2006 and 2005.

Encumbrances:

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Township had outstanding encumbrances at December 31, 2006 and 2005.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Township considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Township totaled \$135,551 and \$69,783 for the years ended December 31, 2006 and 2005, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Township’s funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Township.

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Township’s cash basis method of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 3 - COMPLIANCE

In noncompliance with Ohio Revised Code Section 5705.39, the following fund had appropriations in excess of estimated resources for the years ended December 31, 2006 and 2005:

	2006 Excess	2005 Excess
<u>Special Revenue Fund:</u>		
Motor Vehicle License Tax	\$ 7,300	\$ 6,723

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents and investments at December 31 was as follows:

	2006	2005
<i>Deposits:</i>		
Demand deposits	\$ 55,085	\$ 139,754
<i>Investments:</i>		
Repurchase Agreement	4,077,000	3,535,000
Total deposits and investments	\$ 4,132,085	\$ 3,674,754

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Township overnight repurchase agreement is invested in Federal National Mortgage Association Notes. The Federal Government and Federal Agency securities are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due on the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

NOTE 6 - OTHER SOURCES

Other sources in the general fund for the years ended December 31, 2006 and 2005 consist primarily of Gambling Tax from Scioto Downs and various reimbursements and refunds.

NOTE 7 - CAPITALIZED LEASE - LESSEE DISCLOSURE

The Township entered into a lease/purchase agreement with Key Government Finance, Inc. for the purchase of a fire truck on March 18, 2005. The payments for this lease/purchase agreement are made out of the capital outlay financial line item in the General Fund.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 7 - CAPITALIZED LEASE - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2006:

<u>Year Ended December 31,</u>	<u>Payment</u>
2007	\$ 31,258
2008	31,258
2009	31,258
2010	31,258
2011	31,258
2012 - 2014	<u>93,774</u>
Total minimum lease payments	250,064
Less: amount representing interest	<u>(42,816)</u>
Present value of minimum lease payments	<u><u>\$ 207,248</u></u>

Under the basis of accounting utilized by the Township, the capital assets are not reflected on the financial statements.

NOTE 8 - RETIREMENT SYSTEMS

Certain Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Township's Fire and Emergency Medical Services employees belong to the Ohio Police & Fire Pension Fund (OP&F).

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OPERS members contribute 9.0% and 8.5% of their gross salaries, respectively. The Township contributed an amount equal to 13.70% and 13.55% of participants' gross salaries for the years ended December 31, 2006 and 2005, respectively. The Township contributed an amount equal to 19.5% and 24.0% for police and fire for the years ended December 31, 2006 and 2005. The Township has paid all contributions required under both plans through December 31, 2006 and 2005.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 9 - RISK MANAGEMENT - (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 9 - RISK MANAGEMENT - (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$83,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2004	\$35,645
2005	\$39,753
2006	\$41,431

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Medical Insurance

The Township also provides health, dental and vision through private carriers.

NOTE 10 - CONTINGENT LIABILITIES

The Township is not currently involved in litigation.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Hamilton Township
Franklin County
6400 Lockbourne Road
Lockbourne, Ohio 43137

We have audited the financial statements of Hamilton Township as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 7, 2007, wherein we noted Hamilton Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hamilton Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hamilton Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hamilton Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hamilton Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement or the Hamilton Township's financial statements that is more than inconsequential will not be prevented or detected by the Hamilton Township's internal control.

Board of Trustees
Hamilton Township

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Hamilton Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether Hamilton Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2006-HT-001.

In addition, we noted other matters involving the internal control and its operations and compliance and other matters that we reported to the management of the Township in a separate letter dated June 7, 2007.

Hamilton Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Hamilton Township's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Trustees and management of Hamilton Township, and is not intended to be and should not be used by anyone other than those specified.



Julian & Grube, Inc.
June 7, 2007

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2006-HT-001

Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources for the years ended December 31, 2006 and 2005 as follows:

	2006 Excess	2005 Excess
<u>Special Revenue Fund:</u>		
Motor Vehicle License Tax	\$ 7,300	\$ 6,723

With appropriations exceeding estimated resources, the Township is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Township comply with the Ohio Revised Code by filing a certificate of available sources at year end and amended certificates throughout the year, if applicable. We further recommend that the Township Trustee do not approve appropriations in excess of these estimated revenues.

Client response: The Township Clerk will file a certificate of available services at year end and monitor receipts throughout the year to determine if amended certificates need to be filed.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 & 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-HT-001	Ohio Revised Code Section 5705.41 (D) requiring that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached.	No	Finding now located in management letter.
2004-HT-002	Ohio Revised Code Section 5705.39 requires total appropriations do not exceed total estimated resources.	No	Repeated as finding 2006-HT-001.
2004-HT-003	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	Yes	N/A



Mary Taylor, CPA
Auditor of State

HAMILTON TOWNSHIP

FRANKLIN 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
JULY 31, 2007**