

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**



Dave Yost • Auditor of State

Board of Trustees
Hamilton Township
7780 South State Route 48
Hamilton Township, Ohio 45039

We have reviewed the *Independent Auditors' Report* of Hamilton Township, Warren County, prepared by Bastin & Company, LLC, for the audit period January 1, 2008 through December 31, 2009. 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.

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.

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

Dave Yost
Auditor of State

March 7, 2014

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**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Schedule of Findings and Responses	15
Schedule of Prior Audit Findings	21

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hamilton Township
Warren County
7780 South State Route 48
Hamilton Township, Ohio 45039

We have audited the accompanying financial statements of Hamilton Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 described more fully in Note 1, the 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.

Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Township does not follow GAAP, generally accepted auditing standards require 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, governmental units to reformat their statements. The Township has elected not to reformat its statements. Since the 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 matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or their 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 fund cash balances of the Township as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Bastin & Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
November 8, 2013

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Taxes	\$ 635,876	\$ 5,773,867	\$ -	\$ 6,409,743
Licenses, Permits and Fees	141,079	1,216,175	-	1,357,254
Charges for Services	1,042	68,217	-	69,259
Fines and Forfeitures	-	61,306	-	61,306
Intergovernmental	595,248	1,122,627	-	1,717,875
Special Assessments	-	266,473	-	266,473
Earnings on Investments	88,266	-	-	88,266
Gifts	400	100,350	-	100,750
Other Revenue	125,422	55,760	-	181,182
Total Cash Receipts	<u>1,587,333</u>	<u>8,664,775</u>	<u>-</u>	<u>10,252,108</u>
Cash Disbursements:				
Current:				
Public Safety	-	3,945,924	-	3,945,924
Public Works	-	1,486,826	-	1,486,826
Public Health	18,754	17,305	-	36,059
Human Services	109,301	-	-	109,301
Conservation - Recreation	-	13,923	-	13,923
General Government	1,189,324	460,727	-	1,650,051
Capital Outlay	96,862	175,500	-	272,362
Debt Service:				
Redemption of Principal	-	2,444,048	103,000	2,547,048
Interest and Fiscal Charges	-	85,341	119,438	204,779
Total Cash Disbursements	<u>1,414,241</u>	<u>8,629,594</u>	<u>222,438</u>	<u>10,266,273</u>
Total Receipts Over Disbursements	<u>173,092</u>	<u>35,181</u>	<u>(222,438)</u>	<u>(14,165)</u>
Other Financing Receipts (Disbursements):				
Proceeds from Debt	-	2,045,000	-	2,045,000
Transfers-In	-	-	226,500	226,500
Transfers-Out	(226,500)	-	-	(226,500)
Other Financing Sources	-	791	-	791
Total Other Financing Receipts (Disbursements)	<u>(226,500)</u>	<u>2,045,791</u>	<u>226,500</u>	<u>2,045,791</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(53,408)	2,080,972	4,062	2,031,626
Fund Cash Balances, January 1	<u>336,559</u>	<u>6,051,604</u>	<u>(1,693,181)</u>	<u>4,694,982</u>
Fund Cash Balances, December 31	<u>\$ 283,151</u>	<u>\$ 8,132,576</u>	<u>\$ (1,689,119)</u>	<u>\$ 6,726,608</u>

The notes to the financial statements are an integral part of this statement.

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Taxes	\$ 619,633	\$ 5,690,011	\$ -	\$ 6,309,644
Licenses, Permits and Fees	61,775	919,955	-	981,730
Charges for Services	-	72,733	-	72,733
Fines and Forfeitures	-	89,956	-	89,956
Intergovernmental	540,385	1,031,091	-	1,571,476
Special Assessments	-	339,570	-	339,570
Earnings on Investments	58,572	3,526	-	62,098
Gifts	200	4,014	-	4,214
Other Revenue	125,098	101,323	-	226,421
Total Cash Receipts	<u>1,405,663</u>	<u>8,252,179</u>	<u>-</u>	<u>9,657,842</u>
Cash Disbursements:				
Current:				
Public Safety	-	4,121,101	-	4,121,101
Public Works	-	1,487,492	-	1,487,492
Public Health	16,568	17,100	-	33,668
Human Services	116,195	-	-	116,195
Conservation - Recreation	-	4,736	-	4,736
General Government	1,360,455	-	-	1,360,455
Capital Outlay	33,631	568,912	-	602,543
Debt Service:				
Redemption of Principal	-	2,777,457	103,000	2,880,457
Interest and Fiscal Charges	-	18,651	125,721	144,372
Total Cash Disbursements	<u>1,526,849</u>	<u>8,995,449</u>	<u>228,721</u>	<u>10,751,019</u>
Total Receipts Over Disbursements	<u>(121,186)</u>	<u>(743,270)</u>	<u>(228,721)</u>	<u>(1,093,177)</u>
Other Financing Receipts (Disbursements):				
Proceeds from Debt	-	2,361,975	-	2,361,975
Other Financing Sources	-	1,215	-	1,215
Total Other Financing Receipts (Disbursements)	<u>-</u>	<u>2,363,190</u>	<u>-</u>	<u>2,363,190</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(121,186)	1,619,920	(228,721)	1,270,013
Fund Cash Balances, January 1	<u>457,745</u>	<u>4,431,684</u>	<u>(1,464,460)</u>	<u>3,424,969</u>
Fund Cash Balances, December 31	<u>\$ 336,559</u>	<u>\$ 6,051,604</u>	<u>\$ (1,693,181)</u>	<u>\$ 4,694,982</u>

The notes to the financial statements are an integral part of this statement.

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Hamilton Township, Warren County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road maintenance, cemetery maintenance, police and fire protection and emergency medical services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Police Fund – This fund receives tax levy money to pay for police salaries and police protection services.

Combined Fire/EMS Fund – This fund receives tax money to provide fire protection and emergency medical and ambulance services for the Township.

TIF Fund – This fund receives proceeds from tax incremental funding from agreements with local property developers.

3. Debt Service Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The Township had the following significant Debt Service Fund:

New Building Bond Retirement Fund – This fund is used to pay the debt associated with the Township Administration Building.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

F. Property, Plant and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2009	2008
Demand deposits	\$6,349,786	\$4,283,635
Certificates of Deposit	376,822	411,347
Total deposits	\$6,726,608	\$4,694,982

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,377,440	\$ 1,587,333	\$ 209,893
Special Revenue	8,522,053	10,710,566	2,188,513
Debt Service	-	226,500	226,500
Total	\$ 9,899,493	\$ 12,524,399	\$ 2,624,906

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,666,871	\$ 1,640,741	\$ 26,130
Special Revenue	13,419,573	8,629,594	4,789,979
Debt Service	483,367	222,438	260,929
Total	\$ 15,569,811	\$ 10,492,773	\$ 5,077,038

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,084,873	\$ 1,405,663	\$ (679,210)
Special Revenue	8,241,607	10,615,369	2,373,762
Debt Service	276,000	-	(276,000)
Total	\$ 10,602,480	\$ 12,021,032	\$ 1,418,552

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,765,215	\$ 1,526,849	\$ 238,366
Special Revenue	13,419,573	8,995,449	4,424,124
Debt Service	483,367	228,721	254,646
Total	\$ 15,668,155	\$ 10,751,019	\$ 4,917,136

4. NONCOMPLIANCE

- Contrary to Ohio Rev. Code, Section 5705.10, the Township had a deficit cash balance in two funds as of December 31, 2009 and 2008.
- Contrary to Ohio Rev. Code, Section 5705.41(D), 55 percent of the expenditures tested did not contain the appropriate certification for the availability of funds and were not properly encumbered prior to incurring the obligation.
- Contrary to Ohio Rev. Code, Section 5705.41(B), expenditures exceeded appropriations in one fund for the year ended December 31, 2009 and one fund for the year ended December 31, 2008.
- Contrary to Ohio Rev. Code, Section 5705.39, appropriations exceeded estimated resources in six funds for the year ended December 31, 2009 and eleven funds for the year ended December 31, 2008.
- Contrary to Ohio Revised Code Section 5705.36(A)(4), the Township did not obtain an amended certificate of estimated resources when actual resources available were known to be less than estimated resources. As a result, appropriations exceeded actual resources available in three funds for the year ended December 31, 2009 and four funds for the year ended December 31, 2008.
- Contrary to Ohio Revised Code Section 9.38, the Township did not deposit daily receipts in a timely manner.

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 for which rates are adopted by the Township 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 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.

6. BONDS PAYABLE

Bonds payable at December 31, 2009 are as follows:

	Principal	Interest Rate
Township Administration Building Bonds	\$ 1,855,000	6.10%

During 2000, the Township issued \$2,700,000 of bonds to finance the construction of the Administration building. The bonds are collateralized solely by the Township's taxing authority.

Amortization of the bonds, including interest, is scheduled as follows:

Year	Township Administration Building Bonds
2010	\$ 216,155
2011	209,872
2012	203,589
2013	197,306
2014	191,023
2015-2019	861,687
2020-2024	703,490
2025-2027	346,698
Total	\$2,929,820

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

7. CAPITAL LEASES PAYABLE

In November 2005, the Township entered into a \$577,600 seven year capital lease with Ohio Township Association Leasing for a fire truck.

Amortization of the remaining lease, including interest, is scheduled as follows:

Year ending December 31,	Fire Truck
2010	\$ 96,653
2011	96,653
2012	96,653
Total minimum lease payments	289,959
Less: amount representing interest	(21,124)
Present Value of future minimum lease payments	\$268,835

8. NOTES PAYABLE

Notes payable at December 31, 2009 are as follows:

	Principal	Interest Rate
Various Purpose Infrastructure Improvement Bond Anticipation Notes, Series 2006, Third (2009 Renewal)	\$ 2,045,000	2.85%

In March 2006, the Township issued a Bond Anticipation Note for \$2,711,975 at a rate of 6.00% with a maturity date of March 2007, for the financing of improvements to the infrastructure of the Township.

The Township has retired a portion of the Note during each subsequent year by paying a portion of Note's principal from available funds and issuing new bond anticipation notes for the remaining balance.

In March 2009, the Township issued a Bond Anticipation Note, Series 2006, Third (2009 Renewal) for \$2,045,000 at a rate of 2.85% with a maturity date of March 2010, to retire the remaining balance on the notes issued during 2008.

9. RETIREMENT SYSTEMS

The Township's certified fire fighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multiple employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of participant wages. For 2009 and 2008, OPER's members contributed 10 percent of their gross salaries. The Township contributed an amount equal to 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

10. TRANSFERS

During 2009 the following transfers were made:

Transfers from the General Fund to:	
New Building Bond Retirement	\$226,500

Transfers to New Building Bond Retirement were to provide funds for the payment of debt service.

11. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

12. ADJUSTMENT TO PRIOR REPORTED FUND CASH BALANCES

Fund cash balances previously reported have been restated to properly reflect prior year retirements of tax anticipation notes previously reported as paid from the Fire District Fund and the New Building Bond Retirement Fund. The retirement of the notes should have been reported in the General Fund. In addition, adjustments have been made to classify the zoning operations of the Township previously reported as a Special Revenue Fund to the General Fund. The effects on the amounts previously reported are as follows:

	General Fund	Special Revenue Fund Type	Debt Service Fund Type
Amounts previously reported, December 31, 2007	\$1,368,849	\$4,023,136	\$(1,967,016)
Tax anticipation notes	(910,224)	407,668	502,556
Zoning operations	(880)	880	-
Restated amounts, January 1, 2008	<u>\$ 457,745</u>	<u>\$4,431,684</u>	<u>\$(1,464,460)</u>

Additional corrections to properly state individual fund cash balances within the combined Special Revenue Fund Type have been made to properly record tax levy activities. The Township has determined that the technical wording contained in tax levies in effect from 2002 through 2007 requires certain revenues and expenses to be reported in funds different that originally reported.

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(continued)**

Adjustments between individual funds, within the Special Revenue Fund Type were made as follows:

	<u>Fire Fund</u>	<u>EMS Fund</u>	<u>Other Special Revenue Funds</u>	<u>Total Special Revenue Fund Type</u>
Amounts previously reported,				
December 31, 2007	\$ 1,539,980	\$(1,308,079)	\$3,791,235	\$4,023,136
Adjustments for tax levies	(1,308,079)	1,308,079	-	-
Tax anticipation notes (discussed above)	407,668	-	-	407,668
Zoning operation (discussed above)	-	-	880	880
Restated amounts, January 1, 2008	<u>\$ 639,569</u>	<u>\$ -</u>	<u>\$3,792,115</u>	<u>\$4,431,684</u>

13. SUBSEQUENT EVENTS

During 2010 through 2013, the Township has retired the balance of the \$2,045,000 Bond Anticipation Note, Series 2006, Third (2009) Renewal by issuing decreasing annual note renewals and payment of the remaining balance from available resources of the Township.

On August 30, 2011 the Township issued \$2,120,000 Various Purpose Limited Tax General Obligation Refunding and Acquisition Bonds, Series 2011 in the amount of \$2,120,000. Proceeds were used to refund the \$1,752,000 outstanding on the Township Administration Building Bonds, acquire park land and related improvements in the Township and certain costs related to the issuance of the bonds. The bonds mature in various amounts during 2011 through 2027 and carry interest rates from 2.0 to 4.0 percent.

The Township, beginning in 2007, began collecting various impact fees in support of providing services for police, fire, road and park services. Amounts collected and maintained by the Township as of December 31, 2012 total approximately \$1,600,000. Legal challenges to the collection of these impact fees have resulted in a court ruling that requires such fees to be returned. The Township has proceeded to return the fees that had been collected through 2012. The Township is also aware of potential further litigation over the recovery of certain costs as a result of the legal proceedings. While additional costs, if any, are not currently known, management of the Township does not believe they will have a material financial impact.

Bastin & Company, LLC

Certified Public Accountants

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
Warren County
7780 South State Route 48
Hamilton Township, Ohio 45039

We have audited the accompanying financial statements of Hamilton Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated November 8, 2013, wherein we noted the Township prepared its financial statements using 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Government's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies, resulting in a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-01 and 2009-02 described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as items 2009-03 through 2009-08.

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

We intend this report solely for information and use of management, the Board of Trustees and others within the Township. We intend it for no one other than the specified parties.

Bastin & Company, LLC

Cincinnati, Ohio
November 8, 2013

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-01 – AUDIT ADJUSTMENTS

Material Weakness

The Township's controls over its financial management operations are not sufficiently designed or applied to ensure the complete, accurate and timely recording of financial transactions. As a result, significant time and effort was required to review and adjust recorded transactions for the preparation of financial statements.

As reported in prior year audits, the Township continued to retain consultants to review the data recorded within the Township's accounting system and provide revised financial data for 2008 and 2009. The results of the consultants' review became the initial basis for this audit.

The result of the consultants' procedures review resulted in significant corrections to various transactions that had been recorded by the Township.

In addition to the review of recorded transactions, the consultants were also requested to calculate and make adjustments to prior and current year data in order to properly reflect the proper activities and fund cash balances due to the passage of a combined Fire/EMS tax levy that replaced older expiring individual Fire and EMS levies. Wording for the new Fire/EMS tax levy required that tax revenues and related expenses should have been reported in a new combined Fire/EMS Fund instead of reporting operations into separate Fire and EMS Funds.

As a result of the above reviews, the consultants made material adjustments to amounts reported in the Township's accounting system to properly present financial statements. The adjustments were needed to properly reflect fund cash balances, property tax receipts, intergovernmental receipts, debt proceeds, debt payments, investment activity, expenditure activity and various other misclassified or unrecorded transactions.

In addition to the corrections noted by the Township's consultants, audit procedures disclosed certain adjustments necessary to properly state the financial statements in addition to those adjustments made during the course of the work performed by the consultants.

The significant additional audit adjustments made for 2009 are as follows:

- General government expenses in the General Fund were reduced by \$119,328 as a result of the Township incorrectly posting an entry to correct for the sale of an investment.
- Public safety expenses in the Medical Services Fund were reduced by \$238,656 as a result of the Township incorrectly posting two entries to correct for the sale of an investment.
- Licenses, permits and fees revenue in the Park Impact Fund were reduced by \$730,681 as a result of the Township incorrectly posting an entry to correct for a receipt.
- Expenses for various funds were reduced by \$80,153 due to recorded checks that should have been recorded as voided.

The significant additional audit adjustments made for 2008 are as follows:

- Amounts recorded as transfers between various funds in the amount of \$11,287 were reclassified to functional line items of expenses or revenues.
- General government expenses in the General Fund were reduced by \$25,102.
- Property tax receipts in the New Building Bond Retirement Fund were reduced by \$96,073.
- Prior year retirements of tax anticipation recorded in incorrect funds were adjusted to the proper funds.
- The zoning operations were reclassified from a Special Revenue Fund to the General Fund.

The existence of these corrections demonstrates that recorded amounts, and therefore the financial results produced by the accounting system, are not providing reliable information for effective interim reporting to management or for the accurate reporting of annual financial statements. The presentation of materially correct financial statements is the responsibility of management.

We recommend that the Township implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the accounting system and financial statements. The Township should consider additional training for those with fiscal responsibilities and cross-training of additional employees who could act in a review capacity in a properly designed system of controls. In addition, the Township may want to consider the effectiveness of its current accounting software and whether it is capable of providing the necessary tools for effective management of the Township's activities.

FINDING NUMBER 2009-02 – BANK RECONCILIATIONS

Material Weakness

The Township's bank reconciliations do provide for a listing of items necessary to reconcile bank balances to the combined fund cash balances maintained in the accounting system; however, significant reconciling items contained on the bank reconciliations represent items where corrections are needed to the books of account. The Township historically has posted correcting entries as corrections to subsequent years' receipts or disbursements.

The recording of entries in the subsequent year can have a material impact on current year activities and result in the accounting records to incorrectly report receipts, expenditures or available cash balances.

We recommend that all reconciling items be investigated and properly recorded prior to closing out the accounting records for the year to ensure transactions are properly recorded in the correct year.

FINDING NUMBER 2009-03 – NEGATIVE CASH BALANCES

Noncompliance

Ohio Rev. Code, Section 5705.10, provides that money paid into any fund shall be used only for purposes for which such fund is established.

As of December 31, 2009 and 2008, the Township had deficit cash balances in the following funds:

<u>Fund</u>	<u>2009</u>	<u>2008</u>
New Building Bond Retirement	\$(1,450,355)	\$(1,454,417)
Bond – New Administration Building	(238,764)	(238,764)

A deficit cash balance indicates money from another fund(s) has been used to pay the obligations of the aforementioned funds.

FINDING NUMBER 2009-04 – CERTIFICATION OF EXPENDITURES

Noncompliance

Ohio Revised Code Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 55 percent of expenditures tested, nor did the Township use the aforementioned exceptions. We recommend that the fiscal officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2009-05 – BUDGETARY COMPLIANCE

Noncompliance

Ohio Revised Code Section 5705.41(B) states that, “no subdivision or taxing unit is to expend money unless it has been appropriated”.

The following funds had expenditures which exceeded appropriations during 2009 and 2008:

<u>Year/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<i>2009</i>			
TIF	\$1,579,114	\$2,906,001	\$(1,326,887)
<i>2008</i>			
TIF	1,579,114	2,806,171	(1,227,057)

FINDING NUMBER 2009-06 – BUDGETARY COMPLIANCE

Noncompliance

Ohio Rev. Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year).

Appropriations exceeded estimated resources in the following funds during 2009 and 2008:

<u>Year/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2009</i>			
Road and Bridge	\$1,091,032	\$1,619,699	\$(528,667)
Cemetery	4,619	34,619	(30,000)
Fire District	705,283	2,322,403	(1,617,120)
EMS	13,678	363,705	(350,027)
New Building Bond Retirement	(1,454,417)	235,000	(1,689,417)
Bond – New Administration Building	(238,764)	248,367	(487,131)
<i>2008</i>			
Motor Vehicle License	31,738	39,401	(7,663)
Road and Bridge	1,061,472	1,619,699	(558,227)
Police District	2,564,300	2,736,357	(172,057)
Fire District	854,605	2,199,459	(1,344,854)
Lighting Assessment	441,433	468,427	(26,994)
Park Impact Fees	27,492	165,744	(138,252)
Police District Impact Fees	3,877	24,195	(20,318)
Road and Bridge Impact Fees	80,870	475,540	(394,670)
Fire District Impact Fees	6,129	39,500	(33,371)
New Building Bond Retirement	(949,696)	235,000	(1,184,696)
Bond – New Administration Building	(238,764)	248,367	(487,131)

FINDING NUMBER 2009-07 – BUDGETARY COMPLIANCE

Noncompliance

Ohio Revised Code Section 5705.36(A)(4) requires that when it is known that actual resources will be less than currently estimated resources, and the deficiency will reduce available resources below the current level of appropriation, an amended certificate of estimated resources should be obtained to reduce estimated resources available for appropriation. In addition, Ohio Revised Code Section 5705.36(A)(5) limits appropriations to estimated resources, or any amendments thereof.

The following funds had estimated resources available that exceeded actual resources available, and the deficiency reduced available resources below the current level of appropriation contrary to Ohio Revised Code Section 5705.36(A)(4) and Ohio Revised Code Section 5705.36(A)(5):

<u>Year/Fund</u>	<u>Actual Resources Available</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2009</i>			
Gas Tax	\$250,100	\$266,557	\$(16,457)
Lighting Assessment	422,977	468,427	(45,450)
Permissive License Tax	184,255	216,387	(32,132)
<i>2008</i>			
Motor Vehicle License	30,511	39,401	(8,890)
Cemetery	21,719	34,619	(12,900)
Fire District	739,720	2,199,459	(1,459,739)
New Building Bond Retirement	(1,225,696)	235,000	(1,460,696)

FINDING NUMBER 2009-08 – DEPOSITING OF RECEIPTS

Noncompliance

Ohio Revised Code, Section 9.38, requires that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

During 2008 and 2009, cash receipts were accumulated over various periods of time with actual deposits being made normally once or twice a month. The Board of Trustees did not adopt a policy permitting a longer period.

Section 9.38 permits that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt. The Board of Trustees has not adopted a policy permitting a longer period.

Failure to promptly deposit cash receipts increases the risk of fraud and reconciling discrepancies. We recommend that the Board of Trustees consider adopting a policy that establishes the depositing requirement to two or three business days. Furthermore, we recommend that procedures be implemented to ensure deposits are made in a timely basis as required by Ohio Revised Code, Section 9.38.

Township's Response

On July 17, 2013, the Hamilton Township Board of Trustees adopted a preliminary financial recovery plan to improve both the controls over financial reporting and the overall financial condition of the Township.

The most significant items addressed in the recovery plan adopted by the Trustees include:

- Implementing strengthened controls over the Township's cash disbursement cycle
- Implementing strengthened controls over the Township's budgetary cycle, including additional monitoring of appropriations as well as routine comparisons of *budget-to-actuals* by the Township Trustees
- Developing multi-year forecasts for major funds
- The Township will request an annual audit and review of accounts from the State Auditor's Office.

In addition to the recovery plan adopted by the board, changes are being implemented in the Township's Fiscal Office to improve controls over financial reporting. The most significant change includes the creation of a new position (the *Finance Coordinator*, who reports to both the Fiscal Officer and Township Board of Trustees) that provides for a new layer of supervision and review that previously did not exist. Further, beginning on January 1, 2014, the Township has made arrangements to use the Uniform Accounting Network (UAN) to record, process and summarize Township financial data.

In conjunction with the UAN implementation, the Township Trustees intend to make further changes and refinements to the Township's fiscal operations to further improve the segregation of duties among fiscal personnel, allow for cross-training of various Township employees, and improve the overall efficiencies of the Township's operations.

The Trustees will continue to monitor the Township's financial condition, including the deficit fund balances reported in the debt service funds, and controls and processes and will make further adjustments and changes, as is determined necessary in the circumstances, to improve the Township's overall fiscal condition and controls and processes.

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2007-01	Internal controls over the processing of payroll.	Yes	Condition not noted during current audit.
2007-02	Internal controls over financial reporting - audit adjustments.	No	Condition existed during current audit period, reissued as finding 2009-01.
2007-03	Noncompliance with ORC Section 5705.10. Funds with negative cash balances.	No	Condition existed during current audit period, reissued as finding 2009-03.
2007-04	Noncompliance with ORC Section 5705.41(D). Failure to properly encumber prior to incurring the obligation.	No	Condition existed during current audit period, reissued as finding 2009-04.
2007-05	Noncompliance with ORC Section 5705.39. Appropriations exceeded estimated resources.	No	Condition existed during current audit period, reissued as finding 2009-06.
2007-06	Noncompliance with ORC Section 5705.41(B). Expenditures exceeded appropriations.	No	Condition existed during current audit period, reissued as finding 2009-05.

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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
MARCH 20, 2014**