



**Auditor of State
Betty Montgomery**

HAMILTON TOWNSHIP
JACKSON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Hamilton Township
Jackson County
5705 State Route 139
Jackson, Ohio 45640

To the Board of Trustees:

We have audited the accompanying financial statements of Hamilton Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. 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 discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Hamilton Township, Jackson County, as of December 31, 2002 and 2001, 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 July 23, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hamilton Township
Jackson County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 23, 2003

HAMILTON TOWNSHIP
JACKSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Nonexpendable Trust	
Cash Receipts:				
Local Taxes	\$ 9,465	\$ 58,918	\$	\$ 68,383
Intergovernmental	18,099	61,979		80,078
Earnings on Investments	30	123		153
Other Revenue	191			191
Total Cash Receipts	<u>27,785</u>	<u>121,020</u>	<u>0</u>	<u>148,805</u>
Cash Disbursements:				
Current:				
General Government	10,506	11,349		21,855
Public Safety	13,018	31,215		44,233
Public Works	390	55,226		55,616
Health	404	11,423		11,827
Miscellaneous	564	2,605		3,169
Total Cash Disbursements	<u>24,882</u>	<u>111,818</u>	<u>0</u>	<u>136,700</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>2,903</u>	<u>9,202</u>	<u>0</u>	<u>12,105</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,903	9,202	0	12,105
Fund Cash Balances, January 1	<u>3,027</u>	<u>9,504</u>	<u>100</u>	<u>12,631</u>
Fund Cash Balances, December 31	<u>\$ 5,930</u>	<u>\$ 18,706</u>	<u>\$ 100</u>	<u>\$ 24,736</u>

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

HAMILTON TOWNSHIP
JACKSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Nonexpendable Trust</u>	
Cash Receipts:				
Local Taxes	\$ 8,647	\$ 48,303	\$	\$ 56,950
Intergovernmental	18,120	60,620		78,740
Earnings on Investments		705	6	711
Other Revenue	1,659	250		1,909
	<u>28,426</u>	<u>109,878</u>	<u>6</u>	<u>138,310</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	8,589	13,602		22,191
Public Safety	298	43,613		43,911
Public Works	403	80,666	6	81,075
Health	150	12,307		12,457
Miscellaneous	212	3,331		3,543
	<u>9,652</u>	<u>153,519</u>	<u>6</u>	<u>163,177</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>18,774</u>	<u>(43,641)</u>	<u>0</u>	<u>(24,867)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	18,774	(43,641)	0	(24,867)
Fund Cash Balances, January 1	<u>(15,747)</u>	<u>53,145</u>	<u>100</u>	<u>37,498</u>
Fund Cash Balances, December 31	<u>\$ 3,027</u>	<u>\$ 9,504</u>	<u>\$ 100</u>	<u>\$ 12,631</u>

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

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Hamilton Township, Jackson 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Hamilton Township Volunteer Fire Department to provide fire protection services.

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

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. Cash and Investments

The Township utilized an interest-bearing checking account for deposits.

D. Fund Accounting

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

1. 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.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Permissive Sales Tax Fund - This fund receives money from permissive sales tax proceeds to pay for permanent improvement projects within the Township.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Funds (Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. The Township had the following Fiduciary Fund:

Cemetery Bequest Fund - This fund received a donation for the upkeep of the cemetery and is classified as a Nonexpendable Trust Fund.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$24,736</u>	<u>\$12,631</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 28,350	\$ 27,785	\$ (565)
Special Revenue	112,073	121,020	8,947
Nonexpendable Trust	6	0	(6)
Total	\$ 140,429	\$ 148,805	\$ 8,376

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 36,593	\$ 24,882	\$ 11,711
Special Revenue	97,839	111,818	(13,979)
Nonexpendable Trust	6	0	6
Total	\$ 134,438	\$ 136,700	\$ (2,262)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 32,400	\$ 28,426	\$ (3,974)
Special Revenue	110,100	109,878	(222)
Nonexpendable Trust	6	6	0
Total	\$ 142,506	\$ 138,310	\$ (4,196)

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 52,289	\$ 9,652	\$ 42,637
Special Revenue	150,275	153,519	(3,244)
Nonexpendable Trust	6	6	0
Total	\$ 202,570	\$ 163,177	\$ 39,393

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, expenditures exceeded appropriations in the Motor Vehicle License Tax Fund by \$24,097 for the year ended December 31, 2002. Expenditures exceeded appropriations in the Motor Vehicle License Tax Fund by \$3,323 and the Gasoline Tax Fund by \$8,208 for the year ended December 31, 2001.

Contrary to Ohio law, estimated resources exceed actual revenue plus unencumbered cash and appropriations were greater than actual revenue plus unencumbered cash in the General Fund and Permissive Sales Tax Fund in 2001, contrary to Ohio law.

Contrary to Ohio law, at December 31, 2001, the Fire Fund had a deficit cash balance of \$5,295 and the Permissive Sales Tax Fund had a deficit cash balance of \$6,919. In addition, the General Fund had a negative fund cash balance at various times during 2001 and the Motor Vehicle License Tax Fund, Permissive Sales Tax Fund and Gasoline Tax Fund had negative fund cash balances at various times during 2002.

4. PROPERTY TAX

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

5. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RISK MANAGEMENT

Risk Pool Membership

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

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 23,757,036	\$ 23,707,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained Earnings	<u>\$ 14,559,524</u>	<u>\$ 14,328,773</u>
 <u>Property Coverage</u>	 <u>2002</u>	 <u>2001</u>
Assets	\$ 6,596,996	\$ 5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained Earnings	<u>\$ 5,392,670</u>	<u>\$ 4,363,464</u>

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Hamilton Township
Jackson County
5705 State Route 139
Jackson, Ohio 45640

To the Board of Trustees:

We have audited the accompanying financial statements of Hamilton Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 23, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 to 2002-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 23, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We do not believe the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 23, 2003.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 23, 2003

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2002-001

Noncompliance Citation – Finding for Adjustment

Ohio Rev. Code Section 505.24 states that the Township Trustees shall be paid from the Township General Fund or from such other Township funds in such proportions as the Board may specify by resolution. The salary resolution must allocate the salary distribution from various funds in the same proportion as the Trustees' service bears to the activities supported by such funds, as determined by the Board.

During our audit, we noted the Board of Trustees were paid a combined total of \$14,905 in 2001 and \$14,153 in 2002. For both 2001 and 2002, 100% of the Board of Trustees' salaries were paid from the Gasoline Tax Fund. There was no resolution in effect which indicated that Board of Trustees' salaries should be paid from any fund other than the General Fund.

The Board of Trustees believed that at least 80% of their salaries should be paid from the Gasoline Tax Fund, based upon the estimated level of service provided by the Board of Trustees during the audit period. As a result, a total of \$2,981 should have been paid from the General Fund in 2001 and \$2,830 should have been paid from the General Fund in 2002. On July 7, 2003, the Board of Trustees adopted a retroactive resolution authorizing 20% of each Board of Trustee's salary to be paid from the General Fund and 80% from the Gasoline Tax Fund for 2001 and 2002.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 505.24, a Finding for Adjustment for monies incorrectly expended is hereby issued against the General Fund and in favor of the Gasoline Tax Fund, in the amount of \$5,811 as of December 31, 2002. These adjustments are reflected in the accompanying financial statements.

We recommend the Township annually adopt a resolution specifying how Board of Trustee salaries will be allocated. In addition, fringe benefits, including payroll taxes and insurance, should be allocated in the same proportion as salaries.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code Section 149.351 establishes guidelines against the destruction or damage of records. All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise disposed of, in whole or in part, except as provided by law or under the rules adopted by the Records Commission provided for under Sections 149.38 to 149.42 of the Ohio Revised Code.

Supporting documentation for fifteen percent of payments by the Township to vendors was not presented for audit. This could result in errors or irregularities going undetected.

We recommend the Township Clerk retain all invoices and other such supporting documentation received for all transactions.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund had a negative cash fund balance for 11 of 12 months in 2001, the Fire Fund had a negative cash fund balance for all 12 months of 2001 and the Permissive Sales Tax Fund had a negative cash fund balance for 2 months in 2001. The Motor Vehicle License Tax Fund had a negative cash fund balance for 3 months in 2002, the Gasoline Tax Fund had a negative cash fund balance for 1 month in 2002, the Fire Fund had a negative cash fund balance for 9 months in 2002, and the Permissive Sales Tax Fund had a negative cash fund balance for 1 month in 2002. Consequently, monies from other funds were used to meet the obligations of the funds that had negative cash fund balances.

We recommend the Board of Trustees and the Township Clerk ensure funds are available prior to making purchases. The Township Clerk should refuse payment for invoices until such time sufficient monies are available in the fund.

FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the County Budget Commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

Additionally, the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

Estimated resources exceeded actual revenue plus unencumbered cash at January 1 and appropriations were greater than actual revenue plus unencumbered cash at January 1 for the year ended December 31, 2001, as follows:

Fund	Estimated Resources	Actual Revenue Plus Unencumbered Cash	Appropriation Authority
General	\$ 27,879	\$ 23,905	\$ 52,289
Permissive Sales Tax	\$ 48,546	\$ 44,461	\$ 55,000

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-004 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.36 (Continued)

This could result in more money being appropriated than will actually be available for expenditure.

We recommend the Township Clerk monitor estimated and actual revenues for all funds on a regular basis. In the situation where budgeted revenue exceeds actual revenue and appropriations exceed actual revenue, a reduced amended certificate must be obtained and appropriations adjusted accordingly.

FINDING NUMBER 2002-005

Noncompliance Citation

Ohio Rev. Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Actual expenditures exceeded appropriations at December 31, 2002, as follows:

Fund	Appropriation Authority	Actual Expenditures	Variance
Motor Vehicle License Tax	\$ 40,839	\$ 64,936	\$ (24,097)

Actual expenditures exceeded appropriations at December 31, 2001, as follows:

Fund	Appropriation Authority	Actual Expenditures	Variance
Motor Vehicle License Tax	\$ 10,000	\$ 13,323	\$ (3,323)
Gasoline Tax	\$ 72,775	\$ 80,983	\$ (8,208)

This could result in the Township spending more money than what is actually available.

The Township Clerk should deny payment requests exceeding appropriations. The Township Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2002-006

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing authority shall make any contract or order an expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

The Township did not utilize the encumbrance method of accounting and, accordingly, did not obtain the necessary prior certification of available funds before incurring commitments.

We recommend the Township Clerk certify that unencumbered funds are available prior to making a commitment.

FINDING NUMBER 2002-007

Reportable Condition

Monitoring Financial Activity

The small size of the Township's staff did not allow for an adequate segregation of duties. The Township Clerk performed all accounting functions. It is, therefore, important that the Board of Trustees monitor financial activity closely. While the Board of Trustees did approve all monthly outstanding bills for payment, there was no documentation of the extent to which the Board of Trustees used other financial information to monitor financial activity. In addition, the Board of Trustees did not receive monthly financial reports.

We recommend the Township Clerk provide the Board of Trustees with a monthly financial report which includes month and year to date receipts and disbursements, prior year to date receipts and disbursements and the budgetary information. The Board of Trustees should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Township.

This information can help answer questions such as the following:

- are current receipts sufficient to cover expenditures;
- are expenditures in line with prior year costs;
- if unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted;
- are anticipated receipts being timely received; and
- is the Township maximizing its return on invested cash balances?

The Board of Trustees should approve the reports with their signatures and utilize the information provided to monitor budget vs. actual receipts and disbursements and compare current financial information with prior year financial information.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-40740-001	A Finding for Recovery was issued under Ohio Rev. Code Section 507.09 against Kristen Miller, Township Clerk, for overcompensation in the amount of \$396.13.	Yes	N/A
2000-40740-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources.	No	Not Corrected: This matter has been reported in the Management Letter.
2000-40740-003	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not certifying available resources.	No	Not Corrected: This matter is reissued in the current audit as Finding Number 2002-006.
2000-40740-004	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations.	No	Not Corrected: This matter is reissued in the current audit as Finding Number 2002-005.
2000-40740-005	A reportable condition was issued for the lack of monitoring financial activity.	No	Not Corrected: This matter is reissued in the current audit as Finding Number 2002-007.
2000-40740-006	A reportable condition was issued concerning the lack of documentation to support disbursements.	No	Not Corrected: This matter is reissued in the current audit as Finding Number 2002-002.
2000-40740-007	A material noncompliance citation was issued under Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 for illegal transfers.	Yes	N/A

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-40740-008	A Finding for Adjustment was issued under Ohio Rev. Code Section 505.24 for Board of Trustee salaries being paid from the Gasoline Tax Fund.	No	Not Corrected: This matter is reissued in the current audit as Finding Number 2002-001.
2000-40740-009	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.10 for funds with deficit fund balances.	No	Not Corrected: This matter is reissued in the current audit as Finding Number 2002-003.



**Auditor of State
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HAMILTON TOWNSHIP

JACKSON 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
SEPTEMBER 30, 2003**