

Hamilton Township

Jackson County, Ohio

Regular Audit

For the Years Ended December 31, 2004 and 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Hamilton Township
5705 State Route 139
Jackson, Ohio 45640

We have reviewed the *Independent Auditor's Report* of Hamilton Township, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 to December 31, 2004. 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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BETTY MONTGOMERY
Auditor of State

March 24, 2006

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**JEFFERSON TOWNSHIP
JACKSON COUNTY**

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Ohio Society of Certified Public Accountants

Independent Auditors Report

Board of Trustees
Hamilton Township
Jackson County, Ohio
5705 State Route 139
Jackson, Ohio 45640

We have audited the accompanying financial statements of Hamilton Township, Jackson County, (the Township) as of and for the years ended December 31, 2004 and 2003. 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 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 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 accounting principles generally accepted in the United States of America, we presume they are material.

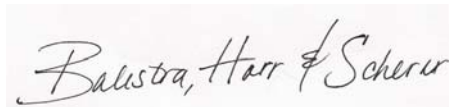
Revisions to GAAP require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 governments to reformat their financial statement amounts, the following paragraph does not imply the amounts are materially misstated under 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 paragraph, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township's combined funds as of December 31, 2004, or their changes in financial position for the year then ended.

Also, 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion & Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion & 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 December 30, 2005, 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 grant agreements and other matters. That report describes scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The 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 "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored, slightly textured background.

Balestra, Harr & Scherer, CPAs, Inc.

December 30, 2005

**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, 2004**

	<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	\$13,622	\$16,397	\$0	\$30,019
Intergovernmental	16,513	127,585	0	144,098
Earnings on Investments	283	151	0	434
Other Revenue	1,236	0	0	1,236
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	31,654	144,133	0	175,787
Cash Disbursements:				
Current:				
General Government	22,334	39,164	0	61,498
Public Works	1,477	104,176	0	105,653
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	23,811	143,340	0	167,151
Total Cash Receipts Over/(Under) Cash Disbursements	7,843	793	0	8,636
Fund Cash Balances, January 1	(621)	47,789	100	47,268
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$7,222	\$48,582	\$100	\$55,904
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2003**

	<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	\$7,676	\$67,900	\$0	\$75,576
Intergovernmental	25,600	54,000	0	79,600
Earnings on Investments	172	39	0	211
Other Revenue	25	0	0	25
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	33,473	121,939	0	155,412
Cash Disbursements:				
Current:				
General Government	13,512	25,119	0	38,631
Public Safety	16,602	35,369	0	51,971
Public Works	1,152	30,069	0	31,221
Health	60	1,130	0	1,190
Miscellaneous	8,698	1,169	0	9,867
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	40,024	92,856	0	132,880
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> <u>(6,551)</u>	<hr/> <u>29,083</u>	<hr/> <u>0</u>	<hr/> <u>22,532</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(6,551)	29,083	0	22,532
Fund Cash Balances, January 1	<hr/> <u>5,930</u>	<hr/> <u>18,706</u>	<hr/> <u>100</u>	<hr/> <u>24,736</u>
Fund Cash Balances, December 31	<hr/> <u>(\$621)</u>	<hr/> <u>\$47,789</u>	<hr/> <u>\$100</u>	<hr/> <u>\$47,268</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, 2004 AND 2003**

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 and a publicly-elected Clerk. The Township provides road and bridge maintenance and cemetery maintenance.

The Township contracts with 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 and investments that are 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 or for capital projects) 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, 2004 AND 2003
(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 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 measures. 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 2004 and 2003 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 POLLED CASH AND INVESTMENTS

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:

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$55,904</u>	<u>\$47,268</u>

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,000	\$31,654	(\$3,346)
Special Revenue	144,196	144,133	(63)
Expendable Trust	106	0	(106)
Total	<u>\$179,302</u>	<u>\$175,787</u>	<u>(\$3,515)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,946	\$23,811	\$2,135
Special Revenue	128,295	143,340	(15,045)
Expendable Trust	6	0	6
Total	<u>\$154,247</u>	<u>\$167,151</u>	<u>(\$12,904)</u>

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,570	\$33,473	(\$5,097)
Special Revenue	133,886	121,939	(11,947)
Expendable Trust	106	0	(106)
Total	<u>\$172,562</u>	<u>\$155,412</u>	<u>(\$17,150)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,697	\$40,024	(\$2,327)
Special Revenue	118,940	92,856	26,084
Expendable Trust	6	0	6
Total	<u>\$156,643</u>	<u>\$132,880</u>	<u>\$23,763</u>

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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 SYSTEMS

The Township's elected officials and 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. For 2004 and 2003, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

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 insurance 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 member's deductibles.

Casualty Insurance

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.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000 on any specific loss. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained Earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>		
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained Earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

7. ACCOUNTABILITY AND COMPLIANCE

The Township's Fire Fund and Sales Tax fund had expenditures that exceeded appropriation in 2004 and the General Fund, Gasoline Tax Fund and Fire Fund had expenditures that exceed appropriations in 2003, which is contrary to Section 5705.41 (B), Ohio Revised Code.

The Township had negative fund cash balances in the General Fund, Fire Fund and Gasoline Tax Fund in 2003 and the Fire Fund in 2004, which is contrary to Section 5705.10, Ohio Revised Code:

The Township did not maintain supporting documentation and invoices for all disbursements paid in 2003 and 2004, which is contrary to Section 149.351, 149.38 and 149.42, Ohio Revised Code.

The Township's Clerk's Office did not certify funds prior to the obligation being incurred, which is contrary to Section 5705.41(D)(1), Ohio Revised Code.

The Township will more closely monitor budgetary and cash expenditure procedures pertaining to violations of this nature in the future.

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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***

Board of Trustees
Hamilton Township
Jackson County, Ohio
5705 State Route 139
Jackson, Ohio 45640

We have audited the financial statements of Hamilton Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 30, 2005, wherein we noted the 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 *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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Responses as items 2004-005.

A material weakness is a reportable 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 caused by error or fraud 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. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2004-001 to 2004-004.

We also noted certain matters of noncompliance that we reported to management of Hamilton Township in a separate letter dated December 30, 2005.

This report is intended solely for the information and use of the audit committee, 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 30, 2005

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

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 thirty percent of the payments made to vendors in 2003 and for fifteen percent of the payments in 2004 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.

FINDING NUMBER 2004-002

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 of \$621 at the end of 2003. The Gasoline Tax fund had a negative fund balance of \$2,484 in 2003. The Fire Fund had a negative fund balance of \$711 in 2003 and \$1,012 in 2004.

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 2004-003

Noncompliance Citation

Ohio Rev. Code 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, 2004, as follows:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Expenditures</u>	<u>Variance</u>
Fire	\$ 17,000	\$ 18,675	\$ (1,675)
Sales Tax	\$ 5,000	\$ 49,931	\$(44,931)

FINDING NUMBER 2004-003 (Continued)

Actual expenditures exceeded appropriations at December 31, 2003, as follows:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$ 37,697	\$ 40,024	\$ (2,327)
Gasoline	\$ 47,940	\$ 61,572	\$(13,632)
Fire	\$ 16,000	\$ 17,286	\$ (1,286)

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.

FINDING NUMBER 2004-004

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 2004-005

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.

FINDING NUMBER 2004-005 (Continued)

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, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Ohio Rev. Code Section 505.24 - Finding for Adjustment	Yes	
2002-002	A reportable condition was issued concerning the lack of documentation to support disbursements..	No	Not Corrected. Reissued as finding No. 2004-001
2002-003	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.10 for funds with deficit fund balances.	No	Not Corrected. Reissued as finding No. 2004-002
2002-004	Ohio Rev. Code Section 5705.36 - A reportable condition.	Yes	
2002-005	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41 (D) for not certifying available resources.	No	Not Corrected. Reissued as finding No. 2004-004
2002-006	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41 (B) for expenditures exceeding appropriations.	No	Not Corrected. Reissued as finding No. 2004-003
2002-007	A reportable condition was issued for the lack of monitoring financial activity.	No	Not Corrected. Reissued as finding No. 2004-005

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person(s)
2004-001	The Clerk will retain all invoices and supporting documentation received for all transactions to ensure that all disbursements have proper documentation.	December 31, 2006	Clerk
2004-002	The Clerk will more closely monitor cash balances throughout the year.	December 31, 2006	Clerk
2004-003	The Clerk will review the appropriations more closely to ensure that they are within estimated resources.	December 31, 2006	Clerk
2004-004	The Clerk will review the purchase commitments more closely to ensure all have been properly certified.	December 31, 2006	Clerk
2004-05	The Trustees will more closely monitor the financial activity throughout the year.	December 31, 2006	Trustees



**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
APRIL 6, 2006**