

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Hamilton Township
P.O. Box 699
7780 South State Route 48
Maineville, OH 45039-0699

We have reviewed the *Independent Auditors' Report* of Hamilton Township, Warren County, prepared by Bastin & Company, LLC, for the audit period January 1, 2006 through December 31, 2007. 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.

Finding For Recovery Repaid Under Audit

During testing of payroll expenditures errors were found in the calculation of payroll for employees. These errors were due to incorrect entry of the payroll data into the accounting system, errors in calculating number of hours worked per time sheets and errors in paying employees at the wrong hourly rate. Some of employees that were tested during the audit were found to be overpaid and others found to be underpaid. Additionally, a separate review of invoices and payments made to legal counsel revealed that legal counsel was overpaid. The table below shows amounts that were overpaid:

Name – Fund paid from	Amount Paid	Amount Should have been paid	Difference	Reason for difference
Hickey, Kenneth Road	\$1,949	\$1,801	\$148	Overpaid for 8 hours of vacation time not worked
Posega, Michael Fire	1,125	439	686	Overpaid for 55.5 hours not worked
Greatorex, Mark Fire	3,357	2,895	462	Overpaid for 12.5 overtime hours
Brandenburg, Tracey Police	1,447	1,148	299	Employee not paid at part time rate in error
Keating, Thomas T. – Legal Counsel General	2,695	1,947	748	Overpaid 6.8 hours
Total			\$2,343	

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kenneth Hickey, in the amount of \$148, and in favor of the Hamilton Township Road Fund; Michael Posega, in the amount of \$686, and in favor of the Hamilton Township Fire Fund; Mark Greatorex, in the amount of \$462, and in favor of the Hamilton Township Fire Fund; Tracey Brandenburg, in the amount of \$299, and in favor of the Hamilton Township Police Fund; and Thomas Keating, in the amount of \$748, and in favor of Hamilton Township General Fund.

Upon discovery of the facts the Fiscal Officer contacted the Township's legal firm and they credited Hamilton Township for \$748 on the invoice billing sent August 13, 2009. Hamilton Township recovered this overpayment in a credit found on that subsequent billing.

Additionally the Fiscal Officer repaid Hamilton Township on August 18, 2009 via a personal check the balance due of \$1,595 which was deposited and paid in to the appropriate funds of the Township.

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 Auditors' 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 Auditors' 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.



Mary Taylor, CPA
Auditor of State

January 8, 2010

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Hamilton Township, Warren County, Ohio

We have audited the accompanying financial statements of Hamilton Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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, 2007 and 2006 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, 2007 and 2006, 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 the Township as of December 31, 2007 and 2006, 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 and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2009, 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, L L C". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
August 27, 2009

**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, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Taxes	\$ 583,961	\$ 5,387,785	\$ -	\$ 5,971,746
Licenses, Permits and Fees	48,777	514,589	-	563,366
Charges for Services	-	37,931	-	37,931
Fines and Forfeitures	-	47,858	-	47,858
Intergovernmental	447,732	880,352	-	1,328,084
Special Assessments	-	280,293	-	280,293
Earnings on Investments	16,535	-	-	16,535
Gifts	-	1,800	-	1,800
Other Revenue	53,626	107,424	-	161,050
Total Cash Receipts	<u>1,150,631</u>	<u>7,258,032</u>	<u>-</u>	<u>8,408,663</u>
Cash Disbursements:				
Current:				
Public Safety	-	3,528,644	-	3,528,644
Public Works	-	1,187,288	-	1,187,288
Public Health	12,914	36,048	-	48,962
Human Services	37,953	-	-	37,953
Conservation - Recreation	-	844	-	844
General Government	1,061,556	181,616	-	1,243,172
Capital Outlay	641	1,129,235	-	1,129,876
Debt Service:				
Redemption of Principal	-	2,950,066	103,000	3,053,066
Interest and Fiscal Charges	-	162,380	132,004	294,384
Total Cash Disbursements	<u>1,113,064</u>	<u>9,176,121</u>	<u>235,004</u>	<u>10,524,189</u>
Total Receipts Over Disbursements	<u>37,567</u>	<u>(1,918,089)</u>	<u>(235,004) -</u>	<u>(2,115,526)</u>
Other Financing Receipts (Disbursements):				
Proceeds from Debt	-	2,566,369	-	2,566,369
Transfers-In	-	19,000	120,000	139,000
Transfers-Out	(139,000)	-	-	(139,000)
Other Financing Uses	-	(10,041)	-	(10,041)
Total Other Financing Receipts (Disbursements)	<u>(139,000)</u>	<u>2,575,328</u>	<u>120,000</u>	<u>2,556,328</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>(101,433)</u>	<u>657,239</u>	<u>(115,004)</u>	<u>440,802</u>
Fund Cash Balances, January 1	<u>1,470,282</u>	<u>3,365,897</u>	<u>(1,852,012)</u>	<u>2,984,167</u>
Fund Cash Balances, December 31	<u>\$ 1,368,849</u>	<u>\$ 4,023,136</u>	<u>\$ (1,967,016)</u>	<u>\$ 3,424,969</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, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Taxes	\$ 491,316	\$ 3,834,253	\$ -	\$ 4,325,569
Licenses, Permits and Fees	74,956	399,845	-	474,801
Charges for Services	-	19,223	-	19,223
Fines and Forfeitures	-	44,704	-	44,704
Intergovernmental	416,282	676,168	-	1,092,450
Special Assessments	-	232,617	-	232,617
Earnings on Investments	19,436	-	-	19,436
Gifts	-	1,240	-	1,240
Other Revenue	41,236	89,927	-	131,163
Total Cash Receipts	<u>1,043,226</u>	<u>5,297,977</u>	<u>-</u>	<u>6,341,203</u>
Cash Disbursements:				
Current:				
Public Safety	-	3,199,830	-	3,199,830
Public Works	-	1,060,782	-	1,060,782
Public Health	11,226	24,419	-	35,645
Human Services	39,803	-	-	39,803
Conservation - Recreation	-	24,037	-	24,037
General Government	992,947	134,372	-	1,127,319
Capital Outlay	38,494	1,140,920	-	1,179,414
Debt Service:				
Redemption of Principal	-	996,394	103,000	1,099,394
Interest and Fiscal Charges	-	55,555	138,288	193,843
Total Cash Disbursements	<u>1,082,470</u>	<u>6,636,309</u>	<u>241,288</u>	<u>7,960,067</u>
Total Receipts Over Disbursements	<u>(39,244)</u>	<u>(1,338,332)</u>	<u>(241,288)</u>	<u>(1,618,864)</u>
Other Financing Receipts (Disbursements):				
Proceeds from Debt	-	2,725,980	-	2,725,980
Transfers-In	-	26,645	75,000	101,645
Transfers-Out	(101,645)	-	-	(101,645)
Total Other Financing Receipts (Disbursements)	<u>(101,645)</u>	<u>2,752,625</u>	<u>75,000</u>	<u>2,725,980</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(140,889)	1,414,293	(166,288)	1,107,116
Fund Cash Balances, January 1	<u>1,611,171</u>	<u>1,951,604</u>	<u>(1,685,724)</u>	<u>1,877,051</u>
Fund Cash Balances, December 31	<u>\$ 1,470,282</u>	<u>\$ 3,365,897</u>	<u>\$ (1,852,012)</u>	<u>\$ 2,984,167</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, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Hamilton Township, Warren County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides 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. 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 Deposits

The Township Clerk deposits available funds in interest bearing checking accounts and certificates of deposits with local commercial banks. The certificates of deposit are valued 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 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:

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

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

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.

Lighting District Special Assessment Fund – This fund receives property assessment money to provide street lighting services.

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

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following 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 2007 and 2006 budgetary activity appears in Note 3.

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$3,034,969	\$2,694,167
Certificates of Deposit	390,000	290,000
Total deposits	\$3,424,969	\$2,984,167

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, 2007 and 2006 follows:

Fund Type	2007 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,778,381	\$ 1,150,631	\$ (627,750)
Special Revenue	7,665,952	9,843,401	2,177,449
Debt Service	-	120,000	120,000
Total	\$ 9,444,333	\$ 11,114,032	\$ 1,669,699

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,361,034	\$ 1,252,064	\$ 1,108,970
Special Revenue	9,674,974	9,186,162	488,812
Debt Service	370,731	235,004	135,727
Total	\$ 12,406,739	\$ 10,673,230	\$ 1,733,509

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 882,447	\$ 1,043,226	\$ 160,779
Special Revenue	5,781,967	8,050,602	2,268,635
Debt Service	228,255	75,000	(153,255)
Total	\$ 6,892,669	\$ 9,168,828	\$ 2,276,159

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,823,946	\$ 1,184,115	\$ 639,831
Special Revenue	7,674,569	6,636,309	1,038,260
Debt Service	238,662	241,288	(2,626)
Total	\$ 9,737,177	\$ 8,061,712	\$ 1,675,465

4. NONCOMPLIANCE

- Contrary to Ohio Rev. Code, Section 5705.10, the Township had a deficit cash balance in three funds as of December 31, 2007 and 2006.
- Contrary to Ohio Rev. Code, Section 5705.39, appropriations exceeded estimated resources in four funds for the year ended December 31, 2007 and 2006.
- Contrary to Ohio Rev. Code, Section 5705.41(B), expenditures exceeded appropriations in three funds for the year ended December 31, 2007 and two funds for the year ended December 31, 2006.
- Contrary to Ohio Rev. Code, Section 5705.41(D), 23 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.

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(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, 2007 are as follows:

	Principal	Interest Rate
Township Administration Building Bonds	\$ 2,061,000	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
2008	\$ 228,721
2009	222,438
2010	216,155
2011	209,872
2012	203,589
2013-2017	924,639
2018-2022	766,320
2023-2027	609,245
Total	\$3,380,979

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

7. CAPITAL LEASES PAYABLE

In 1999, the Township entered into a \$445,950 ten year capital lease for the construction of a firehouse.

In August 2005, the Township entered into a \$165,341 three year capital lease with Ohio Township Association Leasing for police cruisers.

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 leases, including interest, is scheduled as follows:

Year ending December 31,	Firehouse	Police Cruisers	Fire Truck	Total
2008	\$61,941	\$29,200	\$ 96,653	\$187,794
2009	-	-	96,653	96,653
2010	-	-	96,653	96,653
2011	-	-	96,653	96,653
2012	-	-	96,653	96,653
Total minimum lease payments	61,941	29,200	483,265	574,406
Less: amount representing interest	(3,478)	(565)	(53,788)	(57,831)
Present Value of future minimum lease payments	<u>\$58,463</u>	<u>\$28,635</u>	<u>\$429,477</u>	<u>\$516,575</u>

8. NOTES PAYABLE

Notes payable at December 31, 2007 are as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Infrastructure Improvement Bond Anticipation Notes 2007	\$ 2,561,975	6.00%

In March 2006 the Township issued a Bond Anticipation Note for \$2,711,975 plus accrued interest of \$14,005, at a rate of 6.00% with a maturity date of March 2007. A portion of the proceeds were used to retire an \$870,000 Bond Anticipation Note issued in March 2005. In March 2007 the Township issued a Bond Anticipation Note for \$2,561,975 plus accrued interest of \$4,393, at a rate of 6.00% with a maturity date of March 2008, to refund the Bond Anticipation Notes issued during 2006. The notes have been issued for the financing of improvements to the infrastructure of the Township.

9. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006
(continued)**

10. 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 2007 and 2006, OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of participant wages. For 2007 and 2006 OPER's members contributed 9.5 and 9 percent, respectively, of their gross salaries. The Township contributed an amount equal to 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

11. TRANSFERS

During 2007 and 2006, the following transfers were made:

2007 transfers from the General Fund to:	
Drug Enforcement	\$ 1,000
Cemetery	13,000
Zoning	5,000
New Building Bond Retirement	70,000
Bond – New Administration Building	<u>50,000</u>
Total 2007 transfers	<u><u>\$139,000</u></u>

2006 transfers from the General Fund to:	
Motor Vehicle License	\$ 11,400
Cemetery	10,245
Zoning	5,000
New Building Bond Retirement	<u>75,000</u>
Total 2006 transfers	<u><u>\$101,645</u></u>

Transfers from the General Fund to the other funds were made to provide operating funds as needed or to assist in the reduction of negative fund cash balances.

12. RECLASSIFICATION OF FUNDS

Beginning in 2006, the Township has reclassified the Helping Hands and Firefighters Association Funds as special revenue fund types. These funds were previously reported as expendable trust fund types. The reclassification of these funds had the following effect on fund cash balances as of January 1, 2006:

	Special Revenue <u>Fund Type</u>	Expendable Trust <u>Fund Type</u>
Amounts previously reported as of December 31, 2005	\$1,950,156	\$ 1,448
Reclassification of funds	<u>1,448</u>	<u>(1,448)</u>
Amounts restated as of January 1, 2006	<u><u>\$1,951,604</u></u>	<u><u>\$ -</u></u>

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*

The Honorable Members of the Board of Trustees
Hamilton Township, Warren County, Ohio

We have audited the accompanying financial statements of Hamilton Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 27, 2009, 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings as 2007-01 and 2007-02 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are 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 2007-03 through 2007-06.

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

This report is intended solely for the information and use of management and the Township 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 "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
August 27, 2009

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007 and 2006**

FINDING NUMBER 2007-01

The Township's internal controls over the review, approval and preparation of payroll during 2006 and 2007 were not adequate to detect and prevent errors in payments to Township employees.

Testing of selected payroll transactions disclosed that for 16 percent of transactions tested (10 of 60), errors were made in the calculation of gross payroll amounts. Errors included both the overpayment and underpayment of amounts due to employees.

Township officials were notified of the errors found in testing. Reimbursement of amounts overpaid to employees for amounts individually in excess of \$100 has been made to the Township, totaling \$2,343 as of August 20, 2009.

We recommend that the Township implement control procedures that provide for adequate reviews and approvals that will detect and prevent potential errors prior to the final processing of payroll transactions.

Township's Response

Reimbursement to the Township has been received. Starting in 2009, new procedures have been implemented to allow an independent calculation of payroll as well as additional independent reviews of data prior to the processing of payroll and again before the distribution of payroll to employees.

FINDING NUMBER 2007-02

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 reported for the prior bi-annual audit of the Township covering 2004 and 2005, the Township continued to retain consultants to review the data recorded within the Township's accounting system and provide revised financial data for 2006 and 2007. The results of their review became the initial basis for this audit.

The result of the consultants' procedures disclosed significant corrections to various transactions that had been recorded by the Township. The consultants adjusted the Township's recording of property tax settlements between funds, debt proceeds, payments, the purchase of a certificate of deposit, unrecorded prior year adjustments to fund cash balances and various other misclassified transactions.

In addition to the corrections noted by the Township's consultants, audit procedures disclosed additional corrections in order to properly state the Township's financial statements for 2006 and 2007. Audit adjustments were made in the following areas:

- During 2006, a purchase of a \$100,000 certificate of deposit (in addition to the correction made by consultants discussed above) was recorded as a public safety expense in the EMS Fund resulting in overstated activity and understated fund cash balances.
- Proceeds from a capital lease and the related capital outlay expenditures of \$133,350 recorded in 2005, were also recorded in 2006 in the Police Fund, resulting in overstated activity.

- Receipts recorded in 2005 totaling \$41,439 were also recorded in 2006 in various funds, resulting in overstated activity and overstated fund cash balances.
- Checks totaling \$9,698 were voided during 2007 but not removed from expenditures of various funds, resulting in overstated expenditures and understated fund cash balances.

The existence of these corrections demonstrate 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 Village 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.

Township’s Response

The Township will continue to evaluate its current operations and take steps as needed to improve its financial reporting capabilities.

FINDING NUMBER 2007-03

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, 2007 and 2006, the Township had deficit cash balance in the following funds:

<u>Fund</u>	<u>2007</u>	<u>2006</u>
Zoning	\$ (880)	\$ -
Combined Fire/EMS	-	(233,938)
New Building Bond Retirement	(1,728,252)	(1,563,248)
Bond – New Administration Building	(238,764)	(288,764)

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

Township’s Response

The negative balances are primarily a result of prior year activities where funds were not properly transferred for applicable debt retirement. Efforts are being made to bring the fund cash balances into compliance by transferring funds as they become available.

FINDING NUMBER 2007-04

Ohio Rev. 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.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate – If no certificate is furnished, as required, upon receipt of the fiscal officers’ certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Township Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Township Trustees, if such expenditure is otherwise valid.

Of the expenditures tested, 23 percent did not contain the appropriate certification for the availability of funds and were not properly encumbered prior to incurring the obligation.

Township’s Response

The Township will attempt to ensure that proper certification is obtained in the future.

FINDING NUMBER 2007-05

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 2007 and 2006:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2007</i>			
Combined Fire/EMS	\$2,194,462	\$2,967,244	\$(772,782)
TIF	1,964,680	2,431,146	(466,466)
New Building Bond Retirement	(1,563,248)	370,731	(1,933,979)
Bond – New Administration Building	(288,764)	-	(288,764)
<i>2006</i>			
Combined Fire/EMS	1,892,191	2,578,678	(686,487)
TIF	1,169,052	1,633,166	(464,114)
New Building Bond Retirement	(1,396,960)	228,255	(1,625,215)
Bond – New Administration Building	(60,509)	10,407	(70,916)

Township’s Response

The Township will more accurately monitor its compliance with the ORC in the future to ensure that appropriations do not exceed estimated resources.

FINDING NUMBER 2007-06

Ohio Rev. 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 2007 and 2006:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<i>2007</i>			
Police District	\$1,590,802	\$1,653,498	\$ (62,696)
TIF	2,431,146	3,752,122	(1,320,976)
Road & Bridge #1	-	573	(573)
<i>2006</i>			
TIF	1,633,166	1,863,137	(229,971)
New Building Bond Retirement	228,255	241,288	(13,033)

Township's Response

The Township will more accurately monitor its compliance with the ORC in the future to ensure that expenditures do not exceed appropriations.

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2005-01	Noncompliance/Reportable Condition ORC Section 5705.10. Negative fund balances.	No	Condition existed during current audit period, reissued as finding 2007-03.
2005-02	Noncompliance/Reportable Condition ORC Section 5705.41(D). Failure to properly encumber prior to incurring the obligation.	No	Condition existed during current audit period, reissued as finding 2007-04.
2005-03	Noncompliance/Reportable Condition ORC Section 5705.39. Appropriations exceeded estimated resources.	No	Condition existed during current audit period, reissued as finding 2007-05.
2005-04	Noncompliance/Reportable Condition ORC Section 5705.41(B). Expenditures exceeded appropriations.	No	Condition existed during current audit period, reissued as finding 2007-06.
2005-05	Noncompliance/Reportable Condition ORC Section 9.38. Timely deposits of monies.	Yes	Condition not noted during current audit.
2005-06	Material Weakness. Financial management operations not sufficiently designed or applied to ensure the complete, accurate and timely recording of financial recordings.	No	Condition existed during current audit period, reissued as finding 2007-02.



Mary Taylor, CPA
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
JANUARY 21, 2010**