



Mary Taylor, CPA
Auditor of State

HAMILTON TOWNSHIP
LAWRENCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	25

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Mary Taylor, CPA
Auditor of State

Hamilton Township
Lawrence County
2414 North Second Street
Ironton, Ohio 45638

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

December 21, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hamilton Township
Lawrence County
2414 North Second Street
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the accompanying financial statements of Hamilton Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 fifth following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

During 2009 and 2008, the Township improperly paid salaries and fringe benefits for the Board of Trustees from the Special Revenue Gasoline Tax Fund in the amount of \$23,570 and \$15,110, respectively, that should have been paid from the General Fund. These adjustments would increase the Special Revenue Gasoline Tax Fund balance in fiscal years 2009 and 2008 by 18 and 13 percent, respectively and decrease the General Fund balance in fiscal years 2009 and 2008 by 400 and 136 percent, respectively. Due to the negative impact these adjustment would have on the General Fund, the Township has declined to make these adjustments.

In our opinion, except for the effects of reclassifying salaries and fringe benefits for the Board of Trustees from the Special Revenue Gasoline Tax Fund to the General Fund as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Hamilton Township, Lawrence County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 December 21, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

December 21, 2010

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$4,097	\$55,113	\$59,210
Intergovernmental	18,618	122,930	141,548
Earnings on Investments	19		19
Miscellaneous	322	4,077	4,399
	<u>23,056</u>	<u>182,120</u>	<u>205,176</u>
Cash Disbursements:			
Current:			
General Government	28,201		28,201
Public Safety		60,077	60,077
Public Works		79,124	79,124
Capital Outlay		17,508	17,508
Debt Service:			
Redemption of Principal		20,673	20,673
Interest and Other Fiscal Charges		3,153	3,153
	<u>28,201</u>	<u>180,535</u>	<u>208,736</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(5,145)</u>	<u>1,585</u>	<u>(3,560)</u>
Other Financing Receipts:			
Other Financing Sources		8,000	8,000
	<u>0</u>	<u>8,000</u>	<u>8,000</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(5,145)	9,585	4,440
Fund Cash Balances, January 1	<u>11,038</u>	<u>185,477</u>	<u>196,515</u>
Fund Cash Balances, December 31	<u>\$5,893</u>	<u>\$195,062</u>	<u>\$200,955</u>
Reserve for Encumbrances, December 31	<u>\$25</u>	<u>\$27</u>	<u>\$52</u>

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

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$7,799	\$67,112	\$74,911
Intergovernmental	16,915	101,803	118,718
Earnings on Investments	17		17
Miscellaneous	148	341	489
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	24,879	169,256	194,135
Cash Disbursements:			
Current:			
General Government	26,305		26,305
Public Safety		52,966	52,966
Public Works		75,396	75,396
Debt Service:			
Redemption of Principal		19,967	19,967
Interest and Other Fiscal Charges		4,032	4,032
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	26,305	152,361	178,666
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(1,426)	16,895	15,469
Other Financing Receipts:			
Other Financing Sources		1,694	1,694
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	0	1,694	1,694
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(1,426)	18,589	17,163
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	12,464	166,888	179,352
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>
	\$11,038	\$185,477	\$196,515
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$25	\$27	\$52

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

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Hamilton Township, Lawrence County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Hamilton Township Volunteer Fire Department to provide fire services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Fire Fund - This fund receives fire levy money for fire protection provided by the Hamilton Township Volunteer Fire Department.

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

HAMILTON TOWNSHIP
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. 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. 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

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

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2009	2008
Demand deposits	<u>\$200,955</u>	<u>\$196,515</u>

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

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

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

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$23,056	\$23,056
Special Revenue	0	190,120	190,120
Total	\$0	\$213,176	\$213,176

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,025	\$28,226	\$7,799
Special Revenue	345,227	180,562	164,665
Total	\$381,252	\$208,788	\$172,464

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,600	\$24,878	(\$45,722)
Special Revenue	256,288	170,949	(85,339)
Total	\$326,888	\$195,827	(\$131,061)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,625	\$26,330	\$44,295
Special Revenue	256,315	152,388	103,927
Total	\$326,940	\$178,718	\$148,222

Contrary to Ohio law, budgetary appropriation authority exceeded actual resources in the Motor Vehicle License and Road and Bridge Funds by \$12,348 and \$3,885, respectively for the year ended December 31, 2009; and in the Road and Bridge Fund by \$2,650 for year ended December 31, 2008. Also, contrary to Ohio law, appropriations exceeded estimated resources in the General by \$36,000 and the Motor Vehicle License, Gasoline Tax, Road and Bridge, and Fire Funds by \$16,400, \$198,800, \$40,000, and \$90,000, respectively. Also, contrary to Ohio law, Township did not properly certify availability of funds for 2009 and 2008.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - Fire Truck	\$46,488	4.41%
General Obligation Bonds - Truck	\$4,000	4.22%
General Obligation Notes - Fire Truck	\$8,125	5.23%
Total	<u>\$58,613</u>	

Township issued general obligation bonds to finance the purchase of a fire truck for Township fire protection services. The Township's taxing authority collateralized the bonds.

Township issued general obligation bonds to finance the purchase of a GMC truck for road maintenance. The Township's taxing authority collateralized the bonds.

Township issued general obligation notes in 2009 to finance the purchase of a fire truck for Township fire protection services. The Township's taxing authority collateralized the notes.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Bond - Fire Truck	General Obligation Bonds - Truck	General Obligation Notes - Fire Truck
2010	\$12,834	\$4,337	\$2,256
2011	12,834		2,256
2012	12,834		2,256
2013	12,834		2,256
Total	<u>\$51,336</u>	<u>\$4,337</u>	<u>\$9,024</u>

6. Retirement Systems

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

8. Related Party Transactions

A Township contract laborer, Jarrod Robinson (e.g. Robinson Trucking) used for road work is the nephew of Fiscal Officer, Mary Sue Robinson, and Trustee, Bill Robinson. The Township paid Robinson Trucking \$4,525 in 2009 and \$3,490 in 2008. The Trustee did not abstain from approving invoices for Robinson Trucking.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Hamilton Township
Lawrence County
2414 North Second Street
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the financial statements of Hamilton Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated December 21, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also issued a qualified opinion on the 2009 and 2008 financial statements of the General and Special Revenue Funds due to the Township declining to make certain audit adjustments. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-06 through 2009-09 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-10 described in the accompanying Schedule of Findings be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2009-001 through 2009-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 21, 2010.

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



Mary Taylor, CPA
Auditor of State

December 21, 2010

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Rev. Code Section 9.38 provides that public money must be deposited by a public official other than a state officer, employee, or agent with the treasurer of the public office or to a designated depository on the business day following the day of receipt if the total amount exceeds \$1,000. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

Public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt a policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Township did not deposit timely during 2009 and 2008. The Township made only nine and seven total deposits during 2009 and 2008, respectively, and each deposit exceeded \$8,000. In addition, the Township did not deposit a check for \$2,267.51 from the Lawrence County Auditor for August 2008 Gasoline Tax. The Lawrence County Auditor's outstanding check report also reflected that the Township has not deposited three checks from 2007 totaling \$1,226.04.

This lapse in time from receipt to deposit of money could lead to loss or theft of funds.

We recommend the Fiscal Officer deposit public money timely and refrain from holding significant amounts of cash and checks for an unreasonable period of time. In addition, we recommend the Fiscal Officer contact Greg Kline with the Lawrence County Auditor's Office to determine if new checks can be issued for the following: \$12.88 for first half 2007 personal property tax, \$917.21 for local government income tax, \$295.95 for revenue assistance and \$2,267.51 for August 2008 gasoline tax.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

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

FINDING NUMBER 2009-002 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify and amended certificate reflecting the deficiency.

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.

On December 31, 2009, appropriations exceeded actual resources as follows:

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Motor Vehicle License	\$ 4,052	\$ 16,400	\$ (12,348)
Road and Bridge	36,115	40,000	(3,885)

On December 31, 2008, appropriations exceeded actual resources as follows:

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Road and Bridge	\$ 25,850	\$ 28,500	\$ (2,650)

The Township failed to monitor estimated and actual resources nor did they obtain amended certificates as necessary.

This could result in overspending if not properly monitored.

We recommend the Fiscal Officer monitor estimated and actual resources. When it is apparent that actual receipts will fall short of budgetary estimates and appropriations are greater than estimated resources, the Board of Trustees should obtain a reduced amended certificate from the County Budget Commission. We further recommend the Board of Trustees make corresponding reductions in appropriations.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

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

FINDING NUMBER 2009-003 (Continued)

Noncompliance Citation (Continued)

For 2009, approval of temporary or final appropriations were not recorded in the minute record; however, we noted that on July 15, 2009 an appropriation status report was filed with the County Auditor's Office which was dated July 15, 2009.

For 2008, approval of temporary or final appropriations were not recorded in the minute record; however, we noted that on January 1, 2008 an appropriation status report was filed with the County Auditor's Office which was not dated by the County Auditor's Office.

We recommend the Board of Trustees approve an annual appropriation measure on or about the first day of the fiscal year. Approval should be recorded in the minute record and documentation should be maintained to support amounts approved.

FINDING NUMBER 2009-004

Noncompliance Citation

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

As discussed in Auditor of State Bulletin 97-012, if a local government is participating in a grant or loan program whereby proceeds will be received after the expenditures are incurred, it is possible that if properly budgeted, appropriations for one fiscal year will exceed the available amount on the certificate of estimated resources. However, an advance should be used to prevent a negative fund balance. Negative variances in grant funds, between appropriations and certified available resources, should be investigated to determine the cause of the variance.

On December 31, 2009, appropriations exceeded estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$ -	\$ 36,000	\$ (36,000)
Motor Vehicle License	-	16,400	(16,400)
Gasoline Tax	-	198,800	(198,800)
Road and Bridge	-	40,000	(40,000)
Fire	-	90,000	(90,000)

The Board of Trustees did not certify a Certificate of Estimated Resources to the County Budget Commission for 2009. This resulted in the above noncompliance and could result in negative fund balances if not corrected.

We recommend the Fiscal Officer and Board of Trustees ensure all appropriations are less than the estimated resources prior to approval.

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

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

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer generated blanket certificates on the UAN system in 2008 and 2009. However, the Fiscal Officer did not sign and date 41% of the certificates tested, thus, making them invalid. This resulted in noncompliance of the above Ohio Revised Code Section and could result in overspending funds and negative cash fund balances.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-005 (Continued)

Noncompliance Citation (Continued)

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2009-006

Material Weakness / Finding for Adjustment

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustee's document all time spent on township business and the type of service(s) performed, in a manner similar to trustee's paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The requirements of Ohio Rev. Code § 505.24(C) were noted in the Hamilton Township management letter for the audit conducted for the years ending December 31, 2007 and 2006.

For 2009 and 2008, the compensation of the Board of Trustees were paid from the Gasoline Tax Fund. The Board of Trustees did not establish administrative procedures or keep records documenting their time spent on Township business and the type of services performed on these funds. Trustees' salaries and fringe benefits are to be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees' salaries chargeable to other Township funds.

As a result of the foregoing facts, a Finding For Adjustment is hereby issued against the Township's General Fund in the amount of \$38,680 and in favor of the Gasoline Tax Fund.

The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-006 (Continued)

Material Weakness / Finding for Adjustment (Continued)

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Board of Trustees on various duties. Once these administrative procedures are established, the Fiscal Officer should charge the trustee salaries and related benefits to the applicable funds in accordance with the timesheets or other similar method of record keeping.

FINDING NUMBER 2009-007

Material Weakness

The Fiscal Officer should maintain accurate monthly bank reconciliations to ensure that all monies receipted and disbursed were accurately recorded. The Fiscal Officer prepared bank reconciliations on a monthly basis; however, the bank balances were not correctly reconciled to the balances in the UAN system.

The Township made the following errors that contributed to them not being able to reconcile:

1. The Fiscal Officer incorrectly posted handwritten payroll checks to the UAN system totaling \$900
2. The Fiscal Officer posted receipts to the UAN system to correct computer mistakes totaling \$10,481.
3. The Fiscal Officer did not deposit a gasoline tax check for \$2,267. The check is still outstanding with the Lawrence County Auditor.
4. The Fiscal Officer did not post \$4,843 received from the County for gasoline tax.
5. The Fiscal Officer did not post \$17,083 in bank service charges and wire bank transfer.

These factors resulted in the Township being out of balance with the bank at December 31, 2009 and 2008, incorrect balances in individual funds, and the Township's annual financial report for 2009 and 2008 being incorrect.

We recommend the Fiscal Officer reconcile bank balances to the fund balances each month and that the bank reconciliation be presented to the Board of Trustees for review. We further recommend the Fiscal Officer review her postings of receipts and disbursements to ensure that the proper amounts were posted as well as post all bank services charges and banking fees.

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

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

FINDING NUMBER 2009-008

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

In 2009:

- **General Fund expenditures:** \$940 were increased to include banking fee's that were not posted to the system and \$93 decreased to reduce overstatement of expenditures;
- **General Fund revenues:** \$119 were increased to correct posting errors; \$2,137 were reclassified from taxes to intergovernmental revenue; \$434 were reclassified from intergovernmental to taxes revenue; \$870 and \$3,617 were reclassified from other to intergovernmental and tax revenue, respectively;
- **Gasoline Tax Fund expenditures:** \$10,992 were reclassified from public works to principal and interest; \$506 were increased to correct posting errors; \$4,843 was increased to record revenue that cleared the bank but was not posted to the system; \$10,795 were decreased to reduce overstatement of expenditures;
- **Gasoline Tax revenues:** \$3,452 was decreased to deduct revenue that was posted to the system due to computer mistakes; \$4,917 was posted as intergovernmental revenue to correct the improper posting to the Motor Vehicle License Fund as intergovernmental revenue;
- **Motor Vehicle License revenues:** \$52 was posted as intergovernmental revenue to correct the improper posting to the General Fund as Other revenue;
- **Road and Bridge Fund revenues:** \$596 were reclassified from taxes to intergovernmental revenue; \$3,424 were reclassified from intergovernmental to taxes revenue; \$1,107, and \$9,270 were reclassified from other to intergovernmental and tax revenue, respectively;
- **Fire Fund expenditures:** \$12,834 and \$16,000 was reclassified from public safety to principal and interest and capital outlay, respectively;
- **Fire Fund revenues:** \$8,089 were reclassified from taxes to intergovernmental revenue; \$6,438 were reclassified from intergovernmental to taxes revenue; \$10,109 were reclassified from other to intergovernmental revenue; \$29,731 and \$8,000 were reclassified from other to tax revenue and other financing sources, respectively;

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

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

FINDING NUMBER 2009-008 (Continued)

Material Weakness (Continued)

In 2008:

- **General Fund expenditures:** \$143 were increased to include banking fee's that were not posted to the system; \$304 were decreased to remove unsupported expenditures;
- **General Fund revenues:** \$1,488 were reclassified from taxes to intergovernmental revenue; \$2,361 were reclassified from intergovernmental to taxes revenue; \$18 were increased to correct posting error; \$100 were decreased to remove an receipt that was posted but never deposited; \$549 and \$3,617 were reclassified from other to intergovernmental and tax revenue, respectively;
- **Gasoline Tax Fund expenditures:** \$11,165 were reclassified from public works to principal and interest; \$395 were increased to correct posting errors; \$5,425 were decreased to remove unsupported expenditures;
- **Gasoline Tax revenue:** \$2,268 and \$5,597 was decreased to deduct revenue that was posted to the system but did not clear the bank and to deduct revenue that was posted to the system due to computer mistakes, respectively;
- **Motor Vehicle License revenues:** \$149 was posted as intergovernmental revenue to correct the improper posting to the General Fund as intergovernmental;
- **Road and Bridge Fund revenues:** \$121 were reclassified from taxes to intergovernmental revenue; \$2,260 were reclassified from intergovernmental to taxes revenue; \$1,275 and \$9,270 were reclassified from other to intergovernmental and tax revenue, respectively;
- **Fire Fund revenues:** \$1,333 was decreased to deduct revenue that was posted to the system due to computer mistakes; \$18,508 were reclassified from intergovernmental to taxes revenue; \$212 were reclassified from taxes to intergovernmental revenue; \$29,731, 1,694, and \$4,012 were reclassified from other to tax revenue, other financing sources, and intergovernmental revenue, respectively.
- **Fire Fund expenditures:** \$12,834 was reclassified from public safety to principal and interest; \$1,316 were decreased to remove unsupported expenditures.

The Fiscal Officer did not reconcile the UAN System to the Township's bank account on a monthly basis. This resulted in the majority of errors noted above. The Fiscal Officer also posted some expenditures and revenues to incorrect line items which resulted in the reclassifications noted above.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer or the Board of Trustees, to identify and correct errors or omissions.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-009

Material Weakness

The Fiscal Officer should generate disbursements through the Uniform Accounting Network (UAN) system. The printed checks should match the information in the UAN system and should be issued in chronological order.

During our testing of expenditures, we identified 33 manual checks (totaling \$1,683) that were prepared during 2009 and 2008 where the information entered into the system did not match the canceled checks. Also, we noted that the Fiscal Officer is not reconciling checks that are actually clearing the bank causing for an incorrect listing of outstanding checks and the outstanding checks list does not include checks that are actually still outstanding. In addition, we noted many instances where the check numbers entered from the system for checks generated through the UAN system did not match the check numbers actually printed. This resulted in a more cumbersome bank reconciliation process. This could also raise question as to the integrity of data entered in the UAN accounting system.

The Fiscal Officer should only issue checks generated on the UAN system and exercise due care to ensure that the checks printed match the information in the system. In addition, we recommend the Fiscal Officer reconcile each check monthly to provide an accurate listing of outstanding checks.

FINDING NUMBER 2009-010

Significant Deficiency

The number of audit adjustments and errors noted in the bank reconciliations as identified in Finding Number's 2009-007 and 2009-008 are indicative of control deficiencies, which could result in materially misstated financial statements. Several of these errors may have been detected if the Board of Township Trustees were more active in their monitoring.

It is important for the Board of Township Trustees to closely monitor the Township's financial activity due to the small size of the staff and limited segregation of duties within the Township. The Board of Township 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:

Inquiries Relevant to Overall Township's Operations:

- 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 as it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Township maximizing its return on invested cash balances?
- Is the Township able to achieve the financial goals as set by the original or amended budgets?

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2009-010 (Continued)

Significant Deficiency (Continued)

We recommend the Township Fiscal Officer provide the Board of Township Trustees at each regular meeting with a budget vs actual receipt and expenditure report, financial statements showing cash balances, bank reconciliation report, and a report showing checks paid. We further recommend the review of approval of such reports be documented in the minute record.

Officials' Response:

We did not receive a response from Officials to the Findings reported above.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.39 ~ Appropriations shall not exceed estimated resources.	No	Not corrected. See finding number 2009-004.
2007-002	Ohio Rev. Code Section 5705.41(B) ~ Expenditures exceeded appropriations.	Yes	
2007-003	Ohio Rev. Code Section 5705.41(D)(1) ~ Township did not properly certify availability of funds.	No	Not corrected. See finding number 2009-005.
2007-004	Monthly bank reconciliations not performed.	No	Not corrected. See finding number 2009-007.
2007-005	Generate disbursements through the Uniform Accounting Network.	No	Not corrected. See finding number 2009-009.
2007-006	Sound financial reporting.	No	Not corrected. See finding number 2009-008.

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Mary Taylor, CPA
Auditor of State

HAMILTON TOWNSHIP

LAWRENCE 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 6, 2011**