



Dave Yost • Auditor of State

HAMILTON TOWNSHIP
JACKSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hamilton Township
Jackson County
2909 State Route 279
Oak Hill, OH 45656

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Hamilton Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Government's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Hamilton Township, Jackson County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 3, 2015

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$17,842	\$76,497		\$94,339
Intergovernmental	15,636	99,405		115,041
Miscellaneous	906			906
<i>Total Cash Receipts</i>	<u>34,384</u>	<u>175,902</u>	<u>\$0</u>	<u>210,286</u>
Cash Disbursements				
Current:				
General Government	27,100	3,720		30,820
Public Safety		26,565		26,565
Public Works		118,714		118,714
Health	2,950			2,950
Other		536		536
Debt Service:				
Principal Retirement		9,119		9,119
Interest and Fiscal Charges		1,072		1,072
<i>Total Cash Disbursements</i>	<u>30,050</u>	<u>159,726</u>	<u>0</u>	<u>189,776</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,334</u>	<u>16,176</u>	<u>0</u>	<u>20,510</u>
<i>Net Change in Fund Cash Balances</i>	4,334	16,176	0	20,510
<i>Fund Cash Balances, January 1</i>	<u>21,576</u>	<u>82,900</u>	<u>100</u>	<u>104,576</u>
Fund Cash Balances, December 31				
Nonspendable			100	100
Restricted		99,076		99,076
Unassigned (Deficit)	25,910			25,910
<i>Fund Cash Balances, December 31</i>	<u>\$25,910</u>	<u>\$99,076</u>	<u>\$100</u>	<u>\$125,086</u>

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

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$16,662	\$71,974		\$88,636
Intergovernmental	12,928	107,311		120,239
Miscellaneous	683			683
<i>Total Cash Receipts</i>	<u>30,273</u>	<u>179,285</u>	<u>\$0</u>	<u>209,558</u>
Cash Disbursements				
Current:				
General Government	32,134	3,471		35,605
Public Safety		25,267		25,267
Public Works	19,603	141,323		160,926
Health	3,340			3,340
Other		506		506
Debt Service:				
Principal Retirement		8,670		8,670
Interest and Fiscal Charges		1,521		1,521
<i>Total Cash Disbursements</i>	<u>55,077</u>	<u>180,758</u>	<u>0</u>	<u>235,835</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,804)</u>	<u>(1,473)</u>	<u>0</u>	<u>(26,277)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(24,804)</u>	<u>(1,473)</u>	<u>0</u>	<u>(26,277)</u>
<i>Fund Cash Balances, January 1</i>	<u>46,380</u>	<u>84,373</u>	<u>100</u>	<u>130,853</u>
Fund Cash Balances, December 31				
Nonspendable			100	100
Restricted		82,900		82,900
Unassigned (Deficit)	21,576			21,576
<i>Fund Cash Balances, December 31</i>	<u>\$21,576</u>	<u>\$82,900</u>	<u>\$100</u>	<u>\$104,576</u>

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

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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, Jackson 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 fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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 permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Permissive Sales Tax Fund - This fund receives sales tax money for permanent improvement projects within the Township.

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. Equity in Pooled Deposits and Investments

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

	2013	2014
Demand deposits	\$104,576	\$125,086

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

3. Budgetary Activity

Budgetary activity for the years ending 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,290	\$34,384	\$2,094
Special Revenue	201,703	175,902	(25,801)
Permanent	0	0	0
Total	\$233,993	\$210,286	(\$23,707)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$32,290	\$30,050	\$2,240
Special Revenue	200,538	159,726	40,812
Permanent	0	0	0
Total	\$232,828	\$189,776	\$43,052

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,240	\$30,273	(\$967)
Special Revenue	210,255	179,285	(30,970)
Permanent	0	0	0
Total	\$241,495	\$209,558	(\$31,937)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$31,240	\$55,077	(\$23,837)
Special Revenue	199,755	180,758	18,997
Permanent	0	0	0
Total	\$230,995	\$235,835	(\$4,840)

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$23,837; Fire Fund by \$863; and Miscellaneous Special Revenue Fund by \$10,000, for the year ended December 31, 2013. Also contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Fund by \$2,103 and Miscellaneous Special Revenue Fund by \$500 for the year ended December 31, 2014.

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.

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, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Truck Loan	\$38,411	2.45%

The Township received a note in 2012 through the Milton Banking Company for the purchase of a truck in the amount of \$56,215 for six years. The final payment will be made July 1, 2018.

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

Year ending December 31:	Truck Loan
2015	\$10,190
2016	10,190
2017	10,190
2018	10,190
Total	<u><u>\$40,760</u></u>

6. Retirement System

The Township's elected 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	\$8,486,363	\$9,355,082
Net Position	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Risk Management (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2014</u>	<u>2013</u>
4,298	5,286

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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

Hamilton Township
Jackson County
2909 State Route 279
Oak Hill, Ohio 45656

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Hamilton Township, Jackson County, Ohio (the Township), as of and for the year ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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 2014-004 described in the accompanying Schedule of Findings to be a material weakness.

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, opining 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 2014-001 through 2014-003.

Entity's Response to Findings

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, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

June 3, 2015

**HAMILTON TOWNSHIP
JACKSON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 505.262(A) authorized a board of township trustees to issue notes of the Township to finance the purchase of equipment, buildings, and sites, or for the construction of buildings, for any lawful Township purpose. All notes issued shall be pursuant to Ohio Rev. Code § 133.20. Furthermore, the Attorney General has opined that Ohio Rev. Code § 505.262(A) does not grant explicitly or implicitly the authority of the Township to grant a security interest in the property purchase by installment contract.

The Township issued a Promissory Note in the amount of \$56,215 in 2012 that did not meet the requirements of Ohio Rev. Code § 133.20.

We recommend the Board of Trustees authorize only the issuance of notes pursuant to Ohio Rev. Code § 133.20.

Officials' Response: Didn't realize we did not meet the requirements. Fiscal officer will look into what those requirements are before another note might be issued.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code §5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2013, expenditures exceeded appropriations, as follows:

Fund	Authority	Expenditures	Variance
General Fund	\$31,240	\$55,077	(\$23,837)
Fire Fund	\$24,404	\$25,267	(\$863)
Misc Special Revenue Fund	\$0	\$10,000	(\$10,000)

At December 31, 2014, expenditures exceeded appropriations, as follows:

Fund	Authority	Expenditures	Variance
Fire Fund	\$24,462	\$26,565	(\$2,103)
Misc Special Revenue Fund	\$0	\$500	(\$500)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

We recommend the Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**HAMILTON TOWNSHIP
JACKSON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002 (Continued)

Noncompliance - Ohio Rev. Code §5705.41(B) (Continued)

Officials' Response: Fiscal officer always denies request for payments when appropriations are not available. We have always had available funds in each account that we expenditure from, but I will work on making sure that I appropriated better for each account.

FINDING NUMBER 2014-003

Noncompliance

Ohio Rev. Code § 5705.40 states, in part, that a subdivision may amend or supplement its appropriation measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Township would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See C.B. Transportation, Inc. v. Butler County Board of Mental Retardation, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); and Burkholder v. Lauber, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

At December 31, 2013, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system. The variances are as follows:

	Approved	UAN System	Variance
General Fund	\$31,240	\$55,835	(\$24,595)
Motor Vehicle License Fund	\$9,000	\$11,000	(\$2,000)
Gasoline Tax Fund	\$106,351	\$151,896	(\$45,545)
Fire Fund	\$24,404	\$26,904	(\$2,500)
Misc. Special Revenue Fund	\$0	\$10,000	(\$10,000)

At December 31, 2014, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system. The variances are as follows:

	Approved	UAN System	Variance
General Fund	\$32,290	\$32,476	(\$187)
Gasoline Tax Fund	\$107,076	\$150,385	(\$43,309)
Fire Fund	\$24,462	\$25,537	(\$1,075)
Permissive Sales Tax Fund	\$60,000	\$66,790	(\$6,790)
Misc Special Revenue Fund	\$0	\$10,500	(\$10,500)

We recommend the Board of Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

Officials' Response: I will work on being better with this.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-004

Material Weakness

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

The financial statements had the following errors that required adjust adjustment or reclassification:

In 2013:

- General Fund Public Works disbursements of \$19,603 were misposted as Health disbursements;
- General Fund General Government disbursements of \$3,670 were misposted as Gasoline Tax Fund Public Works disbursements;
- Permissive Sales Tax Fund Debt Interest disbursements of \$1,271 were misposted as Debt Principal disbursements.

In 2014:

- General Fund Taxes receipts of \$6,832 were misposted as Intergovernmental receipts;
- Fire Fund Public Safety disbursements of \$1,065 were misposted as General Fund General Government disbursements. The Fiscal Officer then corrected this via a fund balance adjustment which resulted in the General Fund and Fire Fund beginning balances being overstated and understated, respectively, by \$1,065;
- General Fund General Government dibursements of \$3,702 were misposted as Gasoline Tax Fund Public Works disbursements;
- Fire Fund Taxes receipts of \$8,813 were misposted as Intergovernmental receipts;
- Permissive Sales Tax Fund Debt Interest disbursements of \$822 were misposted as Debt Principal disbursements.

The Fiscal Officer made classification errors in posting of receipts and disbursements. This resulted in the mispostings of receipts and disbursements as noted above. The audited financial statements and the Township's accounting system have been adjusted for the errors noted above.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Township manual for guidance on the correct line item to post various receipts and disbursements of the Township.

Officials' Response: Most of these misposts seem like just a mistake in posting. I will make sure I pay more attention to this matter.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-HAM-01	Noncompliance Citation – Ohio Rev. Code § 5705.41(B) – expenditures exceeded appropriations in various funds.	No	Not corrected – Reissued as Finding 2014-002.



Dave Yost • Auditor of State

HAMILTON TOWNSHIP

JACKSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 16, 2015**