



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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**Hamilton Township
Lawrence County**

Regular Audit

**For the Years Ended December 31, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012**



Dave Yost • Auditor of State

Board of Trustees
Hamilton Township
2414 North Second St.
Ironton, Ohio 45638

We have reviewed the *Independent Auditor's Report* of Hamilton Township, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2013. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery: Robinson

Ohio Rev. Code § 505.60(A) states as provided in this section and section 505.601 of the Revised Code, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. Ohio Rev. Code § 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section **505.60** of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

Contrary to the Ohio Revised Code Sections above, Terri Robinson was reimbursed \$2,500 for medical and hospital expenses in 2013. These costs were not for insurance premiums covering medical and hospitalization.

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 the Former Township Fiscal Officer Terri Robinson and her bonding company, Western Surety Company, in the amount of \$2,500, and in favor of Hamilton Township, Lawrence County's General Fund in the amount of \$2,500.

Township Officers signed the warrants resulting in improper payments. Township Trustees Robert Blankenship and Larry Fraley and their bonding company, State Automobile Mutual Insurance Company, and William Robinson and his bonding company, The Cincinnati Insurance Company, are jointly and severally liable in the amount of \$2,500, and in favor of Hamilton Township, Lawrence County's General Fund.

Finding Repaid Under Audit: Blankenship

Ohio Rev. Code § 505.60(A) states as provided in this section and section 505.601 of the Revised Code, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. Ohio Rev. Code § 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section **505.60** of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

Contrary to the Ohio Revised Code Sections above, Robert Blankenship was reimbursed \$2,166 for medical and hospital expenses in 2012 and 2013. These costs were not for insurance premiums covering medical and hospitalization.

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 the Trustee Robert Blankenship and his bonding company, State Automobile Mutual Insurance Company, in the amount of \$2,166, and in favor of Hamilton Township, Lawrence County's Gasoline Fund in the amount of \$2,166.

On September 13, 2016, Robert Blankenship paid \$2,166.82 to Hamilton Township, Lawrence County's Gasoline Fund. This finding for recovery is considered to be repaid in full.

Finding Repaid Under Audit Fraley

Ohio Rev. Code § 505.60(A) states as provided in this section and section 505.601 of the Revised Code, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. Ohio Rev. Code § 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section **505.60** of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

Contrary to the Ohio Revised Code Sections above, Larry Fraley was reimbursed \$1,522 for medical and hospital expenses in 2013. These costs were not for insurance premiums covering medical and hospitalization.

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 the Trustee Larry Fraley and his bonding company, State Automobile Mutual Insurance Company, in the amount of \$1,522, and in favor of Hamilton Township, Lawrence County's Gasoline Fund in the amount of \$1,522.

On September 13, 2016 Larry Fraley paid \$1,522.24 to Hamilton Township, Lawrence County's Gasoline Fund. The finding for recovery is considered to be repaid in full.

Finding for Adjustment

Ohio Rev. Code § 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Ohio Rev. Code § 5705.10(I) states money paid into any fund shall be used only for the purposes for which such fund is established. Contrary to these code sections, the Township paid \$407 for general operating supplies, such as ink cartridges, batteries, trash bags, and cleaning supplies with Fire Levy monies. These supplies should have been paid for using General Fund monies.

In accordance with the foregoing facts, we hereby issue a finding for adjustment to decrease the General Fund by \$407 and increase the Fire Levy Fund by \$407. The Township did not make adjustments to their accounting records or to the financial statements for this amount.

We recommend that the Township ensure that all expenses paid out of the Fire Levy Fund are only for the purpose specified by the levy. This will decrease the possibility of misappropriation of funds.

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.



Dave Yost
Auditor of State

September 20, 2016

**Hamilton Township
Lawrence County**

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Hamilton Township
Lawrence County
2414 North Second St.
Ironton, Ohio 45638

Members of the Board of Trustees

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Hamilton Township, Lawrence County, (the Township) as of and for the years ended December 31, 2013 and 2012.

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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair 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 Township'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 Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriations 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 Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for 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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

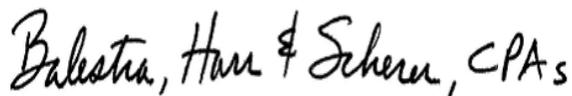
The accompanying financial statements present receipts and disbursements by fund and fund type only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipts and disbursements transactions.

Additional Opinion Qualification

In our opinion, except for the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Hamilton Township, Lawrence County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, 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.



Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
February 29, 2016

**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, 2013

	Balance 1/1/2013	Receipts	Disbursements	Balance 12/31/2013
General	\$ 4,243	\$ 19,971	\$ 4,905	\$ 19,309
Special Revenue:				
Motor Vehicle License Tax	10,743	1,774	-	12,517
Gasoline Tax	219,695	83,973	63,311	240,357
Road and Bridge	28,190	20,160	26,407	21,943
Fire Levey	<u>10,826</u>	<u>65,305</u>	<u>60,336</u>	<u>15,795</u>
Total Special Revenue	<u>269,454</u>	<u>171,212</u>	<u>150,054</u>	<u>290,612</u>
Total All Funds	<u>\$ 273,697</u>	<u>\$ 191,183</u>	<u>\$ 154,959</u>	<u>\$ 309,921</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, 2012

	Balance 1/1/2012	Receipts	Disbursements	Balance 12/31/2012
General	\$ (24,396)	\$ 46,020	\$ 17,381	\$ 4,243
Special Revenue:				
Motor Vehicle License Tax	10,176	1,933	1,366	10,743
Gasoline Tax	201,153	84,914	66,372	219,695
Road and Bridge	31,730	23,405	26,945	28,190
Fire Levey	8,269	77,884	75,327	10,826
Total Special Revenue	<u>251,328</u>	<u>188,136</u>	<u>170,010</u>	<u>269,454</u>
Total All Funds	<u><u>226,932</u></u>	<u><u>234,156</u></u>	<u><u>187,391</u></u>	<u><u>273,697</u></u>

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

**Hamilton Township
Lawrence County**

Notes to the Financial Statements
December 31, 2013 and 2012

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 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. Deposits

The Township had one primary account during the audit period.

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 that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

Fire Funds – 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, 2013 and 2012

1. Summary of Significant Accounting Policies (Continued)

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, and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

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.

**Hamilton Township
Lawrence County**

Notes to the Financial Statements
December 31, 2013 and 2012

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

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 cash at December 31 was as follows:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$ <u>309,921</u>	\$ <u>273,697</u>

Deposits are either 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, 2013 and 2012

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 19,971	\$ 19,971
Special Revenue	\$ 0	\$ 171,212	\$ 171,212
Total	\$ 0	\$ 191,183	\$ 191,183

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 4,905	\$ (4,905)
Special Revenue	\$ 0	\$ 150,054	\$ (150,054)
Total	\$ 0	\$ 154,959	\$ (154,959)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 36,024	\$ 36,024
Special Revenue	\$ 0	\$ 187,668	\$ 187,668
Total	\$ 0	\$ 223,692	\$ 223,692

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 17,381	\$ (17,381)
Special Revenue	\$ 0	\$ 170,010	\$ (170,010)
Total	\$ 0	\$ 187,391	\$ (187,391)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$4,905 and \$17,381, respectively, for the years ended December 31, 2013 and 2012. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in Special Revenue Funds by \$150,054 and \$170,010, respectively, for the years ended December 31, 2013 and 2012. In addition, the Township failed to properly approve an appropriation resolution or certify total amounts from all resources available for expenditures to the Lawrence County Auditor for 2013 and 2012.

**Hamilton Township
Lawrence County**

Notes to the Financial Statements
December 31, 2013 and 2012

4. Real Property Taxes

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. Retirement Systems

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

The Ohio Revised Code also prescribes contributions rates. For 2013 and 2012, OPERS members contributed 10.0 percent, of their gross salaries and the Township contributed an amount equaling 14.0 percent, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

6. Risk Management

Commercial Insurance

The township has obtained commercial insurance for the following risks:

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

7. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustments by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Hamilton Township
Lawrence County**

Notes to the Financial Statements
December 31, 2013 and 2012

7. Fund Balance Restatement

The June 30, 2011 fund balance were restated due to prior audit adjustments being posted.

	<u>General</u>	<u>Special Revenue</u>
Net position, as previously stated	\$ 2,249	\$ 224,683
Fund balance corrections	(26,645)	26,645
Net position, restated	<u>\$ (24,396)</u>	<u>\$ 251,328</u>



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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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 St.
Ironton, Ohio 45638

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, Lawrence County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated February 29, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

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.

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 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 Finding 2013-002, through 2013-007 described in the 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 2013-008 described in the accompanying Schedule of Findings to 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, 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 2013-001 through 2013-005, 2013-009 and 2013-010.

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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
February 29, 2016

**Hamilton Township
Lawrence County**

Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-001

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 received 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 Fiscal Officer collected all receipts for the Township. However, the Fiscal Officer did not deposit these collections to the bank in a timely manner during 2013 and 2012. The Township has no policy in place governing the safeguarding of deposits until they are deposited with the bank.

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

The Township's Fiscal Officer should deposit public money timely and refrain from holding significant amounts of cash and checks for an unreasonable period of time.

Client Response: We did not received a response from the client concerning this matter.

Finding Number 2013-002

Noncompliance Citation/Material Weakness

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 measurer for meeting the ordinary expenses until no later than April 1.

For 2013 and 2012, approval of temporary or final appropriations was not recorded in the minute record. An appropriation measurer was not filed with the County Auditor's Office for either year indicated. Failure to approve an appropriation resolution eliminates a significant control and results in illegal expenditures.

The Township Board of Trustees should 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. The Township should also file all approved appropriation resolutions with the Office of the Lawrence County Auditor.

Client Response: We did not received a response from the client concerning this matter.

**Hamilton Township
Lawrence County**

Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-003

Noncompliance Citation/Material Weakness

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

The Board of Trustees did not approve any appropriation resolution for 2013 or 2012. As such, all expenditures made by the Township exceeded appropriation amounts.

Failure to approve an appropriation resolution eliminates a significant control point and results in improper expenditures.

The Township Board of Trustees should approve an annual appropriation resolution at the beginning of each year. Further the Township should expend monies in accordance with the approved appropriation resolution.

Client Response: We did not received a response from the client concerning this matter.

Finding Number 2013-004

Noncompliance Citation/Material Weakness

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 Section 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 encumbrances, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township had 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.

**Hamilton Township
Lawrence County**

Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-004

Noncompliance Citation/Material Weakness (Continued)

- 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 predicable operating expense. This certification is not 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 did not certify funds prior to purchases were made during 2013 or 2012. This resulted in noncompliance of the above Ohio Revised Code Section and could result in overspending funds and negative cash fund balances.

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 received 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 have been appropriated and are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township should 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.

Client Response: We did not received a response from the client concerning this matter.

Finding Number 2013-005

Noncompliance Citation/Material Weakness

Ohio Admin. Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Ohio Admin. Code Section 117-2-02(D) allows the records to be maintained manually or in a number, account code, and any other information necessary to properly classify the transaction; (2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date name of the payer, purpose, receipt number, and other information necessary to record the transaction on this ledger and; (3) Appropriation ledger to assemble and classify disbursement into separate accounts for, at a minimum, each listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

The Fiscal Officer failed to maintain an accurate cashbook, receipts ledger or appropriations ledger during 2013 and 2012. We noted that not all transactions were posted to the ledger and several transactions were posted to the incorrect funds. The receipts ledgers did not include the estimated receipts information necessary for regulating budgetary transactions.

**Hamilton Township
Lawrence County**

Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-005

Noncompliance Citation /Material Weakness (Continued)

The appropriations ledger did not record the amount appropriated for each line or show the unencumbered amount balances to assist in the monitoring of budgetary activity.

The manner that these ledgers were maintained did not allow the Fiscal Officer to accurately reflect the financial transactions of the Township.

This resulted in several reclassification/adjustments to be made to the Township's financial statements.

The Townships Fiscal Officer should review the requirements of OAC section 117-2-02 and maintain the cashbook, receipt and appropriations ledger in the manner prescribed therein.

Client Response: We did not received a response from the client concerning this matter.

Finding Number 2013-006

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 did not prepare accurate bank reconciliations on a monthly basis.

The Fiscal Officer had several transaction that were not posted to the accounting system during the year which resulted in the Township being out of balance with the bank at December 31, 2013 and 2012, incorrect balances in individual funds, and the Township's annual financial report for 2013 and 2012 being incorrect.

The Fiscal Officer should reconcile bank balances to the fund balances each month and that the bank reconciliation be presented to the Board of Trustees for review. Further the Fiscal Officer should 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.

Finding Number 2013-007

Material Weakness – *Controls over Financial Reporting*

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. The errors in the financial statements were the results of a lack of internal controls of financial reporting.

The presentation of materially incorrect financial statements is the responsibility of management. Lack of a properly presented financial statements review process could inhibit its financial accountability to bother the public and the Trustees, which they may use to facilitate Township decisions.

The Township should implement internal control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements.

Client Response: The Client chose not to respond to the above finding.

**Hamilton Township
Lawrence County**

Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-008

Significant Deficiency

It is important for the Board of 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:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- 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?

The Board of Trustees failed to review and document approval of the monthly payment register in the minutes. The Board of Trustees reviewed no reports documenting budgeted amounts for receipts or expenditures or year-to-date amounts for receipts or expenditures. The Board of Trustees did not document any review or approval of bank reconciliations in the minute record.

The Fiscal Officer should provide the Board of 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.

Client Response: The Client chose not to respond to the above finding.

Finding Number 2013-009

Noncompliance Citation

Ohio Revised Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established.

The Fire Fund held by the Township is funded by a voted fire levy. The stated purpose of this funding was "providing and maintaining fire apparatus, appliances, buildings or sites therefore, or sources of water supply and materials therefore, or the establishment and maintenance of lines of fire alarm, telegraph, or the payment of permanent, part-time, or volunteer firemen or firefighting companies to operate the same, including the payment of the firemen employer's contribution required under Section 742.34 of the Revised Code, to purchase ambulance equipment, or emergency medical services operated by a fire department or fire department or firefighting company, in Hamilton Township, Lawrence County, Ohio."

The Township used the fire fund for food for the fire station candy and toys to be handed out at special events and personal items. These purposes are not consistent with the terms of the levy providing funding. Failure to spend funding in accordance with approved purposes can lead to findings for Recovery, Findings for Adjustment, and negative fund balances.

**Hamilton Township
Lawrence County**

Schedule of Findings and Responses
For the Years Ended December 31, 2013 and 2012

Finding Number 2013-009

Noncompliance Citation (Continued)

The Board of Trustees and Fiscal Officer should adequately monitor expenditures to ensure payments are only made for allowable funds. Further the Township should enter into a fire services contract with a valid fire department of their choice. This contract should state the terms, responsibilities of each party, and services provided which should be consistent with approved levy language. The amount of the contract could be set to allow for all fire levy funds to be paid to the fire department for services provided, eliminating the individual reimbursement request made to the Township by the Fire Department under the current procedures.

Client Response: The Client chose not to respond to the above finding.

Finding Number 2013-010

Noncompliance Citation

Ohio Revised Code Section 505.60 (D) If any township officer or employee is denied coverage under a health care plan procured under this section or if any township officer or employee elects not to participate in the township's health care plan the township may reimburse the officer or employee for each out-of-pocket premium attributable to the coverage provided for the officer or employee for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officers and employees under any health care plan it procures under this section.

During fiscal years 2012 and 2013 the township reimbursed the Fiscal Officer and Trustees for out-of-pocket medical expenses and co-pays rather than out-of-pocket premiums.

The Township should review the Auditor of State Technical Bulletin 2009-003 for guidance on the proper methods of providing health insurance coverage or out-of-pocket premium reimbursements. Further the Township should establish controls over this process to ensure that the reimbursement process is being properly followed.

Client Response: The Client chose not to respond to the above finding.

**Hamilton Township
Lawrence County**

Schedule of Prior Audit Findings
For the Years Ended December 31, 2013 and 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	ORC Section 9.38; Deposit of Public Monies	No	Reissued as Finding 2013-001
2011-002	Finding for Adjustment/Material Weakness ORC Section 505.24(C); Township Trustee compensation	Yes	
2011-003	ORC Section 5705.10; Money Paid into a fund must be used for the purpose of the fund	No	Reissued as Finding 2013-009
2011-004	ORC Section 5705.38 (A); Passing of an appropriation measurer	No	Reissued as Finding 2013-002
2011-005	ORC Section 5705.41(B); Expenditures in excess of appropriations	No	Reissued as Finding 2013-003
2011-006	ORC Section 5705.41(D)(1); For failing to properly encumber expenditures	No	Reissued as Finding 2013-004
2011-007	Ohio Admin Code Section 117-2-02(A); Maintain an accounting system and support	No	Reissued as Finding 2013-005
2011-008	Monthly bank reconciliation not performed	No	Reissued as Finding 2013-006
2011-009	Disbursements not generated through UAN	No	N/A The Client stopped using the UAN system
2011-010	Sound financial reporting	No	Reissued as Finding 2013-007
2011-011	Inadequate financial monitoring by the Board of Trustees	No	Reissued as Finding 2013-008

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Dave Yost • 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
OCTOBER 4, 2016**