

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2004 and 2003

KAREN SCHUTTE, CLERK



**Auditor of State
Betty Montgomery**

Board of Trustees
Hamilton Township
6400 Lockbourne Road
Lockbourne, Ohio 43137

We have reviewed the *Independent Accountants' Report* of Hamilton Township, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Hamilton Township, Franklin County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 29, 2005

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**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

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JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Westerville, Ohio 43082

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Independent Accountant's Report

Hamilton Township
Franklin County
6400 Lockbourne Road
Lockbourne, Ohio 43137

We have audited the accompanying financial statements of Hamilton Township, Franklin County, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of Hamilton 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 2, Hamilton 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 GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hamilton Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of Hamilton Township, Franklin County as of December 31, 2004 and 2003, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting as described in Note 2.

Independent Accountant's Report
Hamilton Township
Page 2

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2005, on our consideration of Hamilton 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.



Julian & Grube, Inc.
August 24, 2005

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2004 AND 2003

<u>Cash and Investments</u>	<u>2004</u>	<u>2003</u>
Cash and Cash Equivalents	\$ 134,552	\$ 85,560
Investments	<u>3,075,000</u>	<u>2,760,000</u>
Total Cash and Investments	<u>\$ 3,209,552</u>	<u>\$ 2,845,560</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 1,443,089	\$ 1,379,519
Special Revenue Funds	<u>1,766,463</u>	<u>1,466,041</u>
Total Governmental Fund Types	<u>3,209,552</u>	<u>2,845,560</u>
Total Fund Balances	<u>\$ 3,209,552</u>	<u>\$ 2,845,560</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 202,935	\$ 2,854,722	\$ 3,057,657
Intergovernmental	293,361	474,626	767,987
Licenses and permits	28,829	-	28,829
Fines and forfeitures	21,836	-	21,836
Interest	25,062	1,087	26,149
Donations and contributions	-	146	146
Miscellaneous	11,610	23,744	35,354
Total cash receipts	<u>583,633</u>	<u>3,354,325</u>	<u>3,937,958</u>
Cash disbursements:			
Current:			
General government	403,180	-	403,180
Public safety	-	2,422,048	2,422,048
Public works	13,158	124,239	137,397
Health	2,000	-	2,000
Conservation - recreation	19,623	-	19,623
Capital outlay	37,096	507,616	544,712
Debt service:			
Principal retirement	42,458	-	42,458
Interest and fiscal charges	2,548	-	2,548
Total cash disbursements	<u>520,063</u>	<u>3,053,903</u>	<u>3,573,966</u>
Total cash receipts over cash disbursements	63,570	300,422	363,992
Cash fund balances, January 1, 2004	<u>1,379,519</u>	<u>1,466,041</u>	<u>2,845,560</u>
Cash fund balances, December 31, 2004	<u>\$ 1,443,089</u>	<u>\$ 1,766,463</u>	<u>\$ 3,209,552</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ -	\$ -	\$ -	\$ 583,633	\$ 583,633	\$ 281	\$ 1,199,000	\$ 1,199,281	\$ 520,063	\$ 281	\$ 520,344	\$ 678,937
Special Revenue	-	-	-	3,354,325	3,354,325	2,636	3,369,500	3,372,136	3,053,903	2,636	3,056,539	315,597
Total (Memorandum Only)	\$ -	\$ -	\$ -	\$ 3,937,958	\$ 3,937,958	\$ 2,917	\$ 4,568,500	\$ 4,571,417	\$ 3,573,966	\$ 2,917	\$ 3,576,883	\$ 994,534

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 174,428	\$ 2,436,314	\$ 2,610,742
Intergovernmental	333,908	276,430	610,338
Licenses and permits	28,026	-	28,026
Fines and forfeitures	24,567	-	24,567
Interest	23,836	940	24,776
Miscellaneous	7,936	18,201	26,137
Total cash receipts	592,701	2,731,885	3,324,586
Cash disbursements:			
Current:			
General government	346,331	-	346,331
Public safety	-	2,345,319	2,345,319
Public works	21,269	53,219	74,488
Health	21,466	-	21,466
Conservation - recreation	16,475	-	16,475
Capital outlay	143,366	246,744	390,110
Debt service:			
Principal retirement	40,055	-	40,055
Interest and fiscal charges	4,951	-	4,951
Total cash disbursements	593,913	2,645,282	3,239,195
Total cash receipts over/(under) cash disbursements	(1,212)	86,603	85,391
Other financing receipts:			
Proceeds from sale of capital assets	-	11,000	11,000
Total other financing receipts	-	11,000	11,000
Excess of cash receipts and other financing receipts over/(under) cash disbursements	(1,212)	97,603	96,391
Cash fund balances, January 1, 2003	1,380,731	1,368,438	2,749,169
Cash fund balances, December 31, 2003	\$ 1,379,519	\$ 1,466,041	\$ 2,845,560

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ -	\$ -	\$ -	\$ 592,701	\$ 592,701	\$ 281	\$ 1,102,000	\$ 1,102,281	\$ 593,913	\$ 280	\$ 594,193	\$ 508,088
Special Revenue	-	-	-	2,731,885	2,731,885	2,636	2,849,501	2,852,137	2,645,282	2,636	2,647,918	204,219
Total (Memorandum Only)	\$ -	\$ -	\$ -	\$ 3,324,586	\$ 3,324,586	\$ 2,917	\$ 3,951,501	\$ 3,954,418	\$ 3,239,195	\$ 2,916	\$ 3,242,111	\$ 712,307

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1 - DESCRIPTION OF THE ENTITY

Hamilton Township, Franklin County, Ohio, (the "Township") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, fire protection and emergency medical services, and conservation-recreation.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Township's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

Governmental Fund Types

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.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

The Township had the following significant special revenue funds:

Fire District Fund - This fund receives property tax money for providing emergency services to Township residents.

Police District Fund - This fund receives property tax money for providing security to Township residents. This service is contracted through Franklin County.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the item level within a department and fund. Any budgetary modifications at this level may only be made by resolution of the Township's Board of Trustees. The Township had several budget modifications throughout the years ended December 31, 2004 and 2003.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Township legally adopted several supplemental appropriations during 2004 and 2003.

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 re-appropriated.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Township had outstanding encumbrances at December 31, 2004 and 2003.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Township considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Township totaled \$26,149 and \$24,776 for the years ended December 31, 2004 and 2003, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Township's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Township.

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Township's cash basis method of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 3 - COMPLIANCE

- A. In noncompliance with Ohio Revised Code Section 5705.39, the following funds had appropriations in excess of estimated resources for the years ended December 31, 2004 and 2003:

<u>Fund Type/Fund</u>	<u>2004 Excess</u>	<u>2003 Excess</u>
General Fund	\$ 1,199,000	\$ 1,102,000
<u>Special Revenue Funds:</u>		
Motor Vehicle License Tax	40,000	40,000
Gasoline Tax	57,500	57,500
Police District	635,000	635,000
Fire Operating Budget	2,592,000	2,072,001
Permissive Motor Vehicle License Tax	45,000	45,000

- B. In noncompliance with Ohio Revised Code Section 5705.41(B), the following funds had expenditures in excess of appropriations for the years ended December 31, 2004 and 2003:

<u>Fund Type/Fund/Department/Item</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>2004</u>			
<u>Special Revenue Funds</u>			
Gasoline Tax:			
Public Employee Retirement System	\$ -	\$ 1,000	\$ 1,000
Permissive Motor Vehicle License Tax:			
Contracted Services	25,000	40,000	15,000
Other	-	24,742	24,742
<u>2003</u>			
Gasoline Tax			
Public Employee Retirement System	-	1,000	1,000

- C. Ohio Revised Code Section 5705.41 (D) states no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Deposits:		
Demand deposits	\$ <u>134,552</u>	\$ <u>85,560</u>
Investments:		
Repurchase Agreement	<u>3,075,000</u>	<u>2,760,000</u>
Total deposits and investments	<u>\$ 3,209,552</u>	<u>\$ 2,845,560</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Township overnight repurchase agreement is invested in Federal National Mortgage Association Notes. The Federal Government and Federal Agency securities are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, the first half is due December 31. The second half payment is due on 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.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 5 - PROPERTY TAX - (Continued)

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

NOTE 6 - CAPITALIZED LEASE - LEASEE DISCLOSURE

The Township entered into a lease agreement with Bank One Leasing Corporation for the purchase of a fire truck in September 1996. The lease was paid in full as of December 31, 2004.

NOTE 7 - RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plan. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004 and 2003.

NOTE 8 - RISK MANAGEMENT

A. Property & Liability

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 8 - RISK MANAGEMENT - (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

Financial Position

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

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

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

NOTE 8 - RISK MANAGEMENT - (Continued)

B. Medical Insurance

The Township also provides health, dental and vision through private carriers.

NOTE 9 - CONTINGENT LIABILITIES

The Township is not currently involved in litigation.

JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Westerville, Ohio 43082

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Independent Accountant’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Hamilton Township
Franklin County
6400 Lockbourne Road
Lockbourne, Ohio 43137

We have audited the financial statements of Hamilton Township as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 24, 2005, wherein we noted Hamilton Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained the Comptroller General of the United States’ *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hamilton Township’s internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of Hamilton Township in a separate letter dated August 24, 2005.

Board of Trustees
Hamilton Township

Compliance and Other Matters

As part of reasonably assuring whether Hamilton 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 three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-HT-001, 2004-HT-002 and 2004-HT-003. We also noted other certain immaterial instances of noncompliance and other matters that we reported to the management of the Township in a separate letter dated August 24, 2005.

This report is intended for the information of the Trustees and management of Hamilton Township, and is not intended to be and should not be used by anyone other than those specified.



Julian & Grube, Inc.
August 24, 2005

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

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

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2004-HT-001

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that the Township had 35.71% and 32.08% for the years ended December 31, 2004 and 2003, respectfully, expenditures in which the invoice was dated prior to the purchase order by the Clerk, thus causing those expenditures not to be certified in a timely manner.

Without timely certification, the Township increases the risk that purchases may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Trustee's and distributed at least annually may be beneficial. The Township should consider using "Then" and "Now" certificates where applicable.

Client response: The Clerk is attempting to create and utilize the purchase order system.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

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

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2004-HT-002

Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources for the years ended December 31, 2004 and 2003 as follows:

<u>Fund Type/Fund</u>	<u>2004 Excess</u>	<u>2003 Excess</u>
General Fund	\$ 1,199,000	\$ 1,102,000
<u>Special Revenue Funds:</u>		
Motor Vehicle License Tax	40,000	40,000
Gasoline Tax	57,500	57,500
Police District	635,000	635,000
Fire Operating Budget	2,592,000	2,072,001
Permissive Motor Vehicle License Tax	45,000	45,000

With appropriations exceeding estimated resources, the Township is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Township comply with the Ohio Revised Code by filing a certificate of available sources at year end and amended certificates throughout the year, if applicable. We further recommend that the Township Trustee do not approve appropriations in excess of these structured revenues.

Client response: The Township Clerk will file a certificate of available services at year end and monitor receipts throughout the year to determine if amended certificates need to be filed.

**HAMILTON TOWNSHIP
FRANKLIN COUNTY, OHIO**

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

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

Finding Number	2004-HT-003
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Township had expenditures in excess of appropriations for the years ended December 31, 2004 and 2003 in the following fund:

<u>Fund Type/Fund/Department/Item</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>2004</u>			
<u>Special Revenue Funds</u>			
Gasoline Tax:			
Public Employee Retirement System	\$ -	\$ 1,000	\$ 1,000
Permissive Motor Vehicle License Tax:			
Contracted Services	25,000	40,000	15,000
Other	-	24,742	24,742
 <u>2003</u>			
<u>Special Revenue Fund</u>			
Gasoline Tax:			
Public Employee Retirement System	-	1,000	1,000

With expenditures exceeding appropriations, the Township is expending monies that have not been appropriated by the Board of Trustees. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Township comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Township Clerk will obtain additional supplemental appropriations and have them approved by the Board of Trustees in a timely manner.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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HAMILTON TOWNSHIP

FRANKLIN 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 18, 2005**