



Dave Yost • Auditor of State

HAMILTON TOWNSHIP
JACKSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Hamilton Township, Jackson County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the 2016 financial statements and Note 1 of the 2015 financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis 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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Hamilton Township, Jackson County, Ohio as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2 of the 2016 financial statements and Note 1 of the 2015 financial statements.

Emphasis of Matter

As Discussed in Note 8 of the 2015 financial statements, the Township restated the January 1, 2015 Special Revenue Fund balance to reclassify the Permissive Sales Tax Fund as a Capital Projects Fund. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2017, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

June 7, 2017

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**HAMILTON TOWNSHIP
JACKSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$22,454	\$28,098	\$0	\$0	\$50,552
Intergovernmental	20,136	107,321	58,623	0	186,080
Miscellaneous	921	0	0	0	921
<i>Total Cash Receipts</i>	<u>43,511</u>	<u>135,419</u>	<u>58,623</u>	<u>0</u>	<u>237,553</u>
Cash Disbursements					
Current:					
General Government	31,786	4,259	0	0	36,045
Public Safety	0	30,731	0	0	30,731
Public Works	0	105,044	44,740	0	149,784
Health	3,750	0	0	0	3,750
Other	0	0	586	0	586
Debt Service:					
Principal Retirement	0	0	9,525	0	9,525
Interest and Fiscal Charges	0	0	665	0	665
<i>Total Cash Disbursements</i>	<u>35,536</u>	<u>140,034</u>	<u>55,516</u>	<u>0</u>	<u>231,086</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,975</u>	<u>(4,615)</u>	<u>3,107</u>	<u>0</u>	<u>6,467</u>
<i>Net Change in Fund Cash Balances</i>	<u>7,975</u>	<u>(4,615)</u>	<u>3,107</u>	<u>0</u>	<u>6,467</u>
<i>Fund Cash Balances, January 1</i>	<u>36,488</u>	<u>101,017</u>	<u>21,253</u>	<u>100</u>	<u>158,858</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	100	100
Restricted	0	96,402	0	0	96,402
Unassigned	44,463	0	24,360	0	68,823
<i>Fund Cash Balances, December 31</i>	<u>\$44,463</u>	<u>\$96,402</u>	<u>\$24,360</u>	<u>\$100</u>	<u>\$165,325</u>

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

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Hamilton Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Hamilton Township, Jackson County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

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

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

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Capital Project Fund This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Permissive Sales Tax The permissive sales tax fund accounts for sales tax money for permanent improvement projects within the Township.

Hamilton Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Cemetery Endowment Fund – The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year

A summary of 2016 budgetary activity appears in Note 3.

Deposits

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

Hamilton Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Fund Balance

Fund balance is divided into three 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:

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

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.

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.

Note 3 - Compliance

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the Fire Fund and Miscellaneous Special Revenue Fund by \$4,081 and \$10,000, respectively for the year ended December 31, 2016.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Hamilton Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,212	\$43,511	\$6,299
Special Revenue	169,662	135,419	(34,243)
Capital Projects	60,800	58,623	(2,177)
Permanent	0	0	0
Total	\$267,674	\$237,553	(\$30,121)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,212	\$35,536	\$1,676
Special Revenue	156,880	140,034	16,846
Capital Projects	60,800	55,516	5,284
Permanent	0	0	0
Total	\$254,892	\$231,086	\$23,806

Note 5 – Deposits

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

Demand deposits	2016 \$165,325
Total deposits and investments	\$165,325

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Property Taxes

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

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

Note 7 - Risk Management

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

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

Hamilton Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management (Continued)

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

Hamilton Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2016</u>	<u>2015</u>
\$4,356	\$4,323

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

Note 8- Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note _Truck Loan	\$19,776	2.45%
Total	\$19,776	

The Township issued a general obligation note in 2012 through the Milton Banking Company to finance the purchase of a new truck for Township road maintenance in the amount of \$56,215. The final payment will be made July 1, 2018.

Amortization

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

Hamilton Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt

	General Obligation Note
Year ending December 31:	
2017	\$10,190
2018	10,190
Total	<u>\$20,380</u>

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**HAMILTON TOWNSHIP
JACKSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$22,083	\$22,438	\$0	\$0	\$44,521
Intergovernmental	22,943	113,793	57,005	0	193,741
Miscellaneous	1,361	0	0	0	1,361
<i>Total Cash Receipts</i>	<u>46,387</u>	<u>136,231</u>	<u>57,005</u>	<u>0</u>	<u>239,623</u>
Cash Disbursements					
Current:					
General Government	32,059	4,308	0	0	36,367
Public Safety	0	25,744	0	0	25,744
Public Works	0	79,430	49,800	0	129,230
Health	3,750	0	0	0	3,750
Other	0	0	570	0	570
Debt Service:					
Principal Retirement	0	0	9,110	0	9,110
Interest and Fiscal Charges	0	0	1,080	0	1,080
<i>Total Cash Disbursements</i>	<u>35,809</u>	<u>109,482</u>	<u>60,560</u>	<u>0</u>	<u>205,851</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,578</u>	<u>26,749</u>	<u>(3,555)</u>	<u>0</u>	<u>33,772</u>
<i>Net Change in Fund Cash Balances</i>	<u>10,578</u>	<u>26,749</u>	<u>(3,555)</u>	<u>0</u>	<u>33,772</u>
<i>Fund Cash Balances, January 1</i>	<u>25,910</u>	<u>74,268</u>	<u>24,808</u>	<u>100</u>	<u>125,086</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	100	100
Restricted	0	101,017	0	0	101,017
Unassigned	36,488	0	21,253	0	57,741
<i>Fund Cash Balances, December 31</i>	<u>\$36,488</u>	<u>\$101,017</u>	<u>\$21,253</u>	<u>\$100</u>	<u>\$158,858</u>

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

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**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Hamilton Township, Jackson County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection.

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

All cash assets are maintained in an interest bearing checking account. The Township had no investments.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant capital project fund:

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

4. Permanent Funds

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

HAMILTON TOWNSHIP
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into three 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. 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 and investments. The carrying amount of deposits at December 31 was as follows:

	2015
Demand deposits	<u>\$158,858</u>

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

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,121	\$46,387	\$266
Special Revenue	162,728	136,231	(26,497)
Capital Projects	60,790	57,005	(3,785)
Permanent	0	0	0
Total	\$269,639	\$239,623	(\$30,016)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,753	\$35,809	\$2,944
Special Revenue	170,100	109,482	60,618
Capital Projects	60,790	60,560	230
Permanent	0	0	0
Total	\$269,643	\$205,851	\$63,792

4. PROPERTY TAX

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

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

5. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Promissory Note_Truck Loan	\$29,301	2.45%

The Township issued a general obligation note in 2012 through the Milton Banking Company in the amount of \$56,215 to finance the purchase of a new truck for Township road maintenance.

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

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

5. DEBT (Continued)

	Year Ending December 31:	Truck Loan			
	2016	\$10,190			
	2017	10,190			
	2018	10,190			
	Total	<u>\$30,570</u>			

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

7. RISK MANAGEMENT (Continued)

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, 2015

	2015
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 members in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<u>Contributions to OTARMA</u>
2015
\$4,323

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

HAMILTON TOWNSHIP
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

8. RESTATEMENT OF PRIOR YEAR BALANCE

The Township had the following restatement:

	<u>Special Revenue</u>	<u>Capital Projects</u>
Reported Fund Balance at December 31, 2014	\$99,076	\$0
Reclassification of Permissive Sales Tax Fund	(24,808)	24,808
Restated Fund Balance at January 1, 2015	<u>\$74,268</u>	<u>\$24,808</u>

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Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Hamilton Township, Jackson County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 7, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit and the Township reclassified its Permissive Sales Tax Fund as a Capital Projects Fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2016-004 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2016-001 through 2016-004.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

June 7, 2017

HAMILTON TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Noncompliance and Finding for Recovery Repaid Under Audit

Ohio Rev. Code § 505.24(A) states that each township trustee is entitled to a set compensation for each day of service in the business of the township, to be paid from the township treasury. Township trustees' salaries are limited to two hundred (200) days annually. The amount of compensation for fiscal year 2015 was set at \$42.45 daily or \$8,490.00 annually.

House Bill 64 (131st General Assembly) increased the rate for 2016 to \$44.57 per day. However, Trustees who were elected prior to September 29, 2015 were not eligible for this increase.

Trustees, Delmar Reed and Jason Clagg, were elected to their current term of office prior to September 29, 2015 and therefore, were not eligible for the increase and should have been paid at the 2015 rate. This resulted in an overpayment of \$423 for each Trustee.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Trustee, Delmar Reed, and the Ohio Township Association Risk Management Authority, his bonding company, jointly and severally, in the amount of \$423 and in favor the Township's General Fund in the amount of \$42, in favor of the Gasoline Tax Fund in the amount of \$381.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Trustee, Jason Clagg, and the Ohio Township Association Risk Management Authority, his bonding company, jointly and severally, in the amount of \$423 and in favor the Township's General Fund in the amount of \$42, in favor of the Gasoline Tax Fund in the amount of \$381.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Trustee, Gerald Fulkerson, and Fiscal Officer, Candy Diltz, approved these payments in 2016 for Trustees Reed and Clagg. Accordingly, Gerald Fulkerson and Candy Diltz and their bonding company, the Ohio Township Association Risk Management Authority, will be jointly and severally liable in the amount of \$846 and in favor of the Hamilton Township's General Fund in the amount of \$84 and the Gasoline Tax Fund in the amount of \$762, to the extent that recovery is not obtained from Delmar Reed and Jason Clagg.

Trustee Clagg repaid the \$423 referenced above on May 17, 2017 with check number 1709 to the appropriate funds as noted above. Trustee Reed lost his December 2016 pay check. It was voided in May 2017 and he was reissued a replacement check on June 5, 2017 which had the \$423 deducted.

Officials' Response: Fiscal Officer mistakenly gave the pay increase to Delmar and Jason. This has been corrected by Jason Clagg by a check paid to the Township. Delmar Reed's overpayment has been corrected via withholding the amount from his December 2016 pay check that was lost and that had already been scheduled to be reissued.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-002

Noncompliance

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

The Township issued a Promissory Note in the amount of \$56,215 in 2012 (with an outstanding balance at December 31, 2016 of \$19,776) that did not meet the requirements of Ohio Rev. Code § 133.20.

The Township Trustees should authorize only the issuance of notes pursuant to Ohio Rev. Code § 133.20

Officials' Response: We understand not to issue this type of debt in the future.

FINDING NUMBER 2016-003

Noncompliance

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

At December 31, 2016, disbursements exceeded appropriations, as follows:

Fund	Appropriations	Expenditures	Variance
Fire	\$ 26,650	\$ 30,731	\$ (4,081)
Miscellaneous	-	10,000	(10,000)

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

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

Officials' Response: The Township will request amendments in the future from the County Auditor.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-004

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2015, estimated receipts as approved by the Budget Commission did not agree to the Township's accounting system. The variances and funds are as follows:

Fund	Approved Receipts	UAN System	Variance
General	\$ 46,121	\$ 36,540	\$ (9,581)
Gas Tax	116,728	90,000	(26,728)
Permissive Sales Tax	60,790	55,000	(5,790)

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to the Township's accounting system. The variances and funds are as follows:

Fund	Approved Receipts	UAN System	Variance
General	\$ 37,212	\$ 48,440	\$ 11,228
Gas Tax	121,230	94,000	(27,230)
Fire	29,432	30,900	1,468
Permissive Sales Tax	60,800	58,000	(2,800)

At December 31, 2016, appropriations as approved by the Board of Trustees did not agree to the Township's accounting system. The variances are as follows:

Fund	Approved Appropriations	UAN System	Variance
General	\$ 37,212	\$ 40,590	\$ 3,378
Fire	26,650	30,754	4,104
Miscellaneous	0	10,000	10,000

Due to budgetary information being improperly entered into the system, the management of the Township lost some degree of budgetary control. An adjustment was made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as approved by the Budget Commission and appropriations approved by the Board of Trustees.

The Fiscal Officer should accurately post estimated receipts as certified by the County Budget Commission and appropriations as approved by the Board, only after receiving approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response: The Fiscal Officer will try to be more accurate in posting estimated receipts.

**HAMILTON TOWNSHIP
JACKSON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Noncompliance Citation Ohio Rev. Code § 505.262(A) Township issued Promissory Note.	Corrected	This note is now paid off in 2017. Couldn't be corrected until paid off due to being a 5 yr. note.
2014-002	Noncompliance Citation Ohio Rev. Code §5705.41(B) Expenditures Exceeded Appropriations.	Partially Corrected	Some expenditures are not foreseen. The Township will try to better appropriate more funds than needed.
2014-003	Noncompliance Citation Ohio Rev. Code §5705.40 Approved appropriations did not agree to the Township's accounting system.	Partially Corrected	This would only occur if a check was cut and had to be voided and reissued with a different amount due to various reasons.
2014-004	Material Weakness Classification errors in posting of receipts and disbursements.	Corrected	



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HAMILTON TOWNSHIP

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 22, 2017