



# **Balestra, Harr & Scherer, CPAs, Inc.**

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

[www.bhmcpagroup.com](http://www.bhmcpagroup.com)

**Hamilton Township  
Lawrence County**

**Regular Audit**

**For the Years Ended December 31, 2015 and 2014  
Fiscal Years Audited Under GAGAS: 2015 and 2014**



OHIO AUDITOR OF STATE  
**KEITH FABER**

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Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

Board of Trustees  
Hamilton Township  
PO Box 703  
Ironton, Ohio 45638

We have reviewed the *Independent Auditor's Report* of Hamilton Township, Lawrence County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 Auditor of State is currently conducting an investigation related to the Township. As of the date of this report, the investigation is ongoing. Depending on the outcome, the results of the investigation may be reported at a later date.

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.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 1, 2019

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**Hamilton Township  
Lawrence County**

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# Balestra, Harr & Scherer, CPAs, Inc.

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

[www.bhmcpagroup.com](http://www.bhmcpagroup.com)

## 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 were engaged to audit the accompanying financial statements of the cash balances, receipts, and disbursements by fund type and related notes of Hamilton Township, Lawrence County, (the Township), as of and for the years ended December 31, 2015 and 2014.

### 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 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 based on conducting the audit 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*.

Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for Disclaimer of Opinion

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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

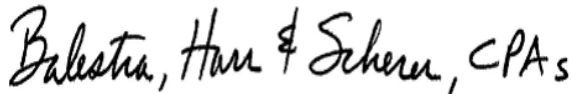
We were unable to obtain sufficient evidential matter supporting the amounts recorded as disbursements, and budgetary activity reported in the Notes to the Financial Statements for the years ended December 31, 2015 and 2014 and the classification of governmental fund balances for the years ended December 31, 2015 and 2014. Consequently, we were unable to obtain sufficient appropriate audit evidence to form an opinion over these amounts.

**Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express and opinion on these financial statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2017, on our consideration of the Township's internal control over financial reporting and on 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 Standard* in considering the Township's internal control over financial reporting and compliance.



Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
February 3, 2017



**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, 2015

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	<b>Balance 1/1/2015</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balance 12/31/2015</b>
<b>General</b>	\$ 33,600	\$ 36,523	\$ 9,565	\$ 60,558
<b>Special Revenue:</b>				
Motor Vehicle License Tax	14,418	2,110	-	16,528
Gasoline Tax	225,434	89,833	92,718	222,549
Road and Bridge	22,068	47,557	26,011	43,614
Fire Levey	48,313	147,757	48,325	147,745
Total Special Revenue	310,233	287,257	167,054	430,436
<b>Total All Funds</b>	<b>\$ 343,833</b>	<b>\$ 323,780</b>	<b>\$ 176,619</b>	<b>\$ 490,994</b>

*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, 2014

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	<b>Balance 1/1/2014</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balance 12/31/2014</b>
<b>General</b>	\$ 19,309	\$ 26,262	\$ 11,971	\$ 33,600
<b>Special Revenue:</b>				
Motor Vehicle License Tax	12,517	1,901	-	14,418
Gasoline Tax	240,357	89,759	104,682	225,434
Road and Bridge	21,943	28,415	28,290	22,068
Fire Levey	15,795	82,553	50,035	48,313
Total Special Revenue	290,612	202,628	183,007	310,233
<b>Total All Funds</b>	<b>\$ 309,921</b>	<b>\$ 228,890</b>	<b>\$ 194,978</b>	<b>\$ 343,833</b>

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

**Hamilton Township  
Lawrence County**

Notes to the Financial Statements  
December 31, 2015 and 2014

**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, 2015 and 2014

**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 2015 and 2014 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, 2015 and 2014

**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>2015</u>	<u>2014</u>
Demand deposits	\$ <u>491,000</u>	\$ <u>343,840</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, 2015 and 2014

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 36,523	\$ 36,523
Special Revenue	\$ 0	\$ 287,257	\$ 287,257
Total	<u>\$ 0</u>	<u>\$ 323,780</u>	<u>\$ 323,780</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 9,565	\$ (9,565)
Special Revenue	\$ 0	\$ 167,054	\$ (167,054)
Total	<u>\$ 0</u>	<u>\$ 176,619</u>	<u>\$ (176,619)</u>

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 0	\$ 26,262	\$ 26,262
Special Revenue	\$ 0	\$ 202,628	\$ 202,628
Total	<u>\$ 0</u>	<u>\$ 228,890</u>	<u>\$ 228,890</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 11,971	\$ (11,971)
Special Revenue	\$ 0	\$ 183,007	\$ (183,007)
Total	<u>\$ 0</u>	<u>\$ 194,978</u>	<u>\$ (194,978)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$9,565 and \$11,971, respectively, for the years ended December 31, 2015 and 2014. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in Special Revenue Funds by \$167,054 and \$183,007, respectively, for the years ended December 31, 2015 and 2014. 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 2015 and 2014.

**Hamilton Township  
Lawrence County**

Notes to the Financial Statements  
December 31, 2015 and 2014

**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 2015 and 2014, 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, 2015.

**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.



# 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 were engaged to audit, in accordance with the 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, Lawrence County (the Township) as of and for the years ended December 31, 2015 and 2014 and the related notes to the financial statements, and have issued our report thereon dated February 3, 2017. We disclaimed our opinion for the following reasons: We were unable to obtain sufficient evidential matter supporting the amounts recorded as disbursements, and budgetary activity reported in the Notes to the Financial Statements for the years ended December 31, 2015 and 2014 and the classification of governmental fund balances for the years ended December 31, 2015 and 2014. Consequently, we were unable to obtain sufficient appropriate audit evidence to form an opinion over these amounts.

### Internal Control over Financial Reporting

As part of our engagement, 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2015-002 through 2015-007 described in the accompanying schedule of findings to be material weaknesses.



A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-008 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 2015-001 through 2015-005 and 2015-009.

### ***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 3, 2017

**Hamilton Township  
Lawrence County**

Schedule of Findings and Responses  
For the Years Ended December 31, 2015 and 2014

**Finding Number 2015-001**

**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 2015 and 2014. 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 2015-002**

**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 2015 and 2014, 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, 2015 and 2014

**Finding Number 2015-003**

**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 2015 or 2014. 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 2015-004**

**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, 2015 and 2014

**Finding Number 2015-004**

**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 predicible 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 2015 or 2014 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 statue 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 2015-005**

**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 2015 and 2014. 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, 2015 and 2014

**Finding Number 2015-005**

**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 2015-006**

**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, 2015 and 2014, incorrect balances in individual funds, and the Township's annual financial report for 2015 and 2014 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 2015-007**

**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, 2015 and 2014

**Finding Number 2015-008**

**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.

**Hamilton Township  
Lawrence County**

Schedule of Findings and Responses  
For the Years Ended December 31, 2015 and 2014

**Finding Number 2015-009**

**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 2014 and 2015 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, 2015 and 2014

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2013-001	ORC Section 9.38; Deposit of Public Monies	No	Reissued as Finding 2015-001
2013-009	ORC Section 5705.10; Money Paid into a fund must be used for the purpose of the fund	Yes	Corrected
2013-002	ORC Section 5705.38 (A); Passing of an appropriation measurer	No	Reissued as Finding 2015-002
2013-003	ORC Section 5705.41(B); Expenditures in excess of appropriations	No	Reissued as Finding 2015-003
2013-004	ORC Section 5705.41(D)(1); For failing to properly encumber expenditures	No	Reissued as Finding 2015-004
2013-005	Ohio Admin Code Section 117-2-02(A); Maintain an accounting system and support	No	Reissued as Finding 2015-005
2013-006	Monthly bank reconciliation not performed	No	Reissued as Finding 2015-006
2013-007	Controls over financial report	No	Reissued as Finding 2015-007
2013-008	Significant deficiency	No	Reissued as Finding 2015-008
2015-010	ORC 505.60(D); reimbursements for out-of-pocket medical expenses	No	Reissued as Finding 2015-009



# OHIO AUDITOR OF STATE KEITH FABER



**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  
JULY 11, 2019**