



Mary Taylor, CPA
Auditor of State

HAMILTON TOWNSHIP
LAWRENCE COUNTY

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Mary Taylor, CPA

Auditor of State

Hamilton Township
Lawrence County
2414 North Second Street
Ironton, Ohio 45638

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

October 30, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hamilton Township
Lawrence County
2414 North Second Street
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the accompanying financial statements of Hamilton Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Hamilton Township, Lawrence County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 30, 2008

**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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$3,261	\$18,445	\$21,706
Intergovernmental	20,267	146,022	166,289
Earnings on Investments	225	56	281
Miscellaneous	366	3,043	3,409
	<u>24,119</u>	<u>167,566</u>	<u>191,685</u>
Cash Disbursements:			
Current:			
General Government	38,944		38,944
Public Safety		62,702	62,702
Public Works		88,253	88,253
Capital Outlay		17,500	17,500
Debt Service:			
Redemption of Principal	5,755	13,550	19,305
Interest and Other Fiscal Charges	2,079	2,805	4,884
	<u>46,778</u>	<u>184,810</u>	<u>231,588</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(22,659)	(17,244)	(39,903)
Fund Cash Balances, January 1	<u>35,123</u>	<u>184,132</u>	<u>219,255</u>
Fund Cash Balances, December 31	<u>\$12,464</u>	<u>\$166,888</u>	<u>\$179,352</u>
Reserve for Encumbrances, December 31	<u>\$25</u>	<u>\$27</u>	<u>\$52</u>

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

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$7,225	\$55,282	\$62,507
Intergovernmental	62,288	146,584	208,872
Earnings on Investments	350		350
Miscellaneous	1,191	5,915	7,106
	<u>71,054</u>	<u>207,781</u>	<u>278,835</u>
Cash Disbursements:			
Current:			
General Government	46,214		46,214
Public Safety		64,322	64,322
Public Works		68,718	68,718
Capital Outlay		19,208	19,208
Debt Service:			
Redemption of Principal		18,663	18,663
Interest and Other Fiscal Charges		5,678	5,678
	<u>46,214</u>	<u>176,589</u>	<u>222,803</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>24,840</u>	<u>31,192</u>	<u>56,032</u>
Other Financing Receipts / (Disbursements):			
Other Financing Sources - Insurance Reimbursements		31,994	31,994
	<u>0</u>	<u>31,994</u>	<u>31,994</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	24,840	63,186	88,026
Fund Cash Balances, January 1	<u>10,283</u>	<u>120,946</u>	<u>131,229</u>
Fund Cash Balances, December 31	<u>\$35,123</u>	<u>\$184,132</u>	<u>\$219,255</u>
Reserve for Encumbrances, December 31	<u>\$25</u>	<u>\$27</u>	<u>\$52</u>

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

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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, cemetery maintenance, and fire protection.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

C. 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Fire District Fund - This fund receives property tax money for providing fire protection services.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

E. 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 Cash

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$179,352	\$219,255

Deposits: Deposits are 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, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,436	\$24,119	\$3,683
Special Revenue	150,690	167,566	16,876
Total	\$171,126	\$191,685	\$20,559

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,461	\$46,803	\$11,658
Special Revenue	238,827	184,837	53,990
Total	\$297,288	\$231,640	\$65,648

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,600	\$71,054	\$43,454
Special Revenue	111,281	239,775	128,494
Total	\$138,881	\$310,829	\$171,948

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,825	\$46,239	(\$6,414)
Special Revenue	243,605	176,616	66,989
Total	\$283,430	\$222,855	\$60,575

Contrary to Ohio Law, the following items were noted: appropriations exceeded estimated resources; budgetary expenditures exceeded appropriation authority in the General Fund at December 31, 2006 and in all funds for 2007; and the Township did not encumber all funds prior to incurring obligations.

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.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax (Continued)

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. Debt

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond - Fire Truck	\$66,495	4.41%
General Obligation Bond - Truck	12,000	4.22%
General Obligation Bond - Tractor	12,499	4.25%
Total	<u>\$90,994</u>	

The Township issued general obligation bonds to finance the purchase of a fire truck for Township fire protection services. The Township's taxing authority collateralized the bonds.

The Township issued general obligation bonds to finance the purchase of a GMC truck. The Township's taxing authority collateralized the bonds.

The Township issued general obligation bonds to finance the purchase of a tractor. The Township's taxing authority collateralized the bonds.

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

<u>Year ending December 31:</u>	<u>General Obligation Bond - Fire Truck</u>	<u>General Obligation Bond - Truck</u>	<u>General Obligation Bond - Tractor</u>
2008	\$12,834	\$4,520	\$6,651
2009	12,834	4,520	6,651
2010	12,834	4,337	
2011	12,834		
2012	12,834		
2013-2017	12,834		
Total	<u>\$77,004</u>	<u>\$13,377</u>	<u>\$13,302</u>

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Retirement System

The Townships employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code prescribes contribution rates. For 2007 and 2006, PERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Township contributed an amount equal to 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all employer contributions required through December 31, 2007.

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 Street
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the financial statements of Hamilton Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 30, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-004 through 2007-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-004, 2007-005, and 2007-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 30, 2008.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 30, 2008.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 30, 2008

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

As discussed in Auditor of State Bulletin 97-012, if a local government is participating in a grant or loan program whereby proceeds will be received after the expenditures are incurred, it is possible that if properly budgeted, appropriations for one fiscal year will exceed the available amount on the certificate of estimated resources. However, an advance should be used to prevent a negative fund balance. Negative variances in grant funds, between appropriations and certified available resources, should be investigated to determine the cause of the variance.

The following instances occurred where appropriations exceeded estimated resources:

Fund	Estimated Resources	Appropriations	Variance
<u>December 31, 2006</u>			
General Fund	\$37,884	\$39,800	(\$1,916)
Gasoline Tax Fund	96,879	110,200	(13,321)
Road & Bridge Fund	26,311	28,311	(2,000)
<u>December 31, 2007</u>			
Fire Fund	112,368	114,500	(2,132)

The Board of Trustees did not monitor the budgetary activity of the Township adequately through review of monthly reports. This resulted in the above noncompliance and could result in negative fund balances if not corrected.

We recommend the Fiscal Officer and Board of Trustees ensure all appropriations are less than the estimated resources prior to approval.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

At December 31, 2006, expenditures plus encumbrances exceeded appropriations, as follows:

Fund	Appropriations	Expenditures plus Encumbrances	Variance
General	\$39,825	\$46,239	(\$6,414)

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

In 2007, the Board of Trustees did not approve appropriations, thus all expenditures from all funds exceeded appropriations. In addition to this, the Board of Trustees did not monitor the budgetary activity of the Township adequately through review of monthly reports. This resulted in the above non compliance and could result in negative fund balances for the Township.

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If the Township requires appropriations in addition to those already adopted, the Board 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.

FINDING NUMBER 2007-003

Noncompliance Citation

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 Sections 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 encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 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.

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-003 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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.
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 predictable operating expense. This certification is not to 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 generated blanket certificates on the UAN system in 2006 and 2007. However, the Fiscal Officer did not sign and date 100% of the certificates tested, thus, making them invalid. This resulted in noncompliance of the above Ohio Rev. Code Section and could result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive 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 are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township 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.

FINDING NUMBER 2007-004

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 prepared bank reconciliations on a monthly basis; however, the bank balances were not correctly reconciled to the balances in the UAN system.

The Township made the following errors that contributed to them not being able to reconcile:

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-004 (Continued)

Material Weakness (Continued)

1. The Fiscal Officer incorrectly posted handwritten payroll checks to the UAN system. This resulted in expenditure adjustments of \$3,400 in the General and Gasoline Funds.
2. The Fiscal Officer did not post homestead and rollback revenues of \$416.
3. The Fiscal Officer did not post new auto revenues of \$28.
4. The Fiscal Officer posted a duplicate receipt of \$3,981 to the Gasoline Fund.
5. The Fiscal Officer did not post \$4,703 received from the County.
6. The Fiscal Officer did not post \$112 in bank service charges.
7. The Fiscal Officer wrote \$3,781 in checks that cleared the bank but were not posted to the accounting system.

These factors resulted in the Township being out of balance with the bank at December 31, 2006 and 2007, incorrect balances in individual funds, and the Township's annual financial report for 2006 and 2007 being incorrect.

This also resulted in additional time and cost to the Township for accounting services to reconcile the Township's books to the bank, to determine the correct individual fund balances, and to determine proper receipts and disbursements classifications to the financial statements.

We recommend the Fiscal Officer reconcile bank balances to the fund balances each month and that the bank reconciliation be presented to the Board of Trustees for review. We further recommend the Fiscal Officer 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 2007-005

Material Weakness

The Fiscal Officer should generate disbursements through the Uniform Accounting Network (UAN) system. The printed checks should match the information in the UAN system and should be issued in chronological order.

During our testing of expenditures, we identified 28 manual checks (totaling \$3,400) that were prepared during 2006 where the information entered into the system did not match the canceled checks. We also identified 23 checks (totaling \$3,781) that were manually written and never entered into the UAN system. In addition to this, we noted several instances where the check numbers entered from the system for checks generated through the UAN system did not match the check numbers actually printed. This resulted in a more cumbersome bank reconciliation process. This could also raise question as to the integrity of data entered into the UAN accounting system.

The Fiscal Officer should only issue checks generated on the UAN system and exercise due care to ensure that the checks printed match the information in the system.

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-006

Material Weakness

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.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

In 2006:

- * Fire Fund expenditures of \$24,344 were reclassified from public safety to principal and interest.
- * General Fund expenditures of \$3,781 were increased to record expenditures that cleared the bank but were not posted to the system.
- * Gasoline Fund expenditures of \$3,405 were decreased to correct payroll posting errors.
- * Gasoline Fund intergovernmental revenue of \$3,981 was decreased to remove a duplicate receipt.
- * General Fund revenues of \$40,035 were reclassified from taxes to intergovernmental to properly post estate taxes.
- * General Fund revenues of \$3,617 were reclassified from other revenue to intergovernmental revenue to properly post revenues received from the Duke Energy.
- * Road and Bridge Fund revenues of \$9,270 were reclassified from other revenue to intergovernmental revenue to properly post revenue received from Duke Energy.
- * Fire Fund revenues of \$29,731 were reclassified from other revenue to intergovernmental revenue to properly post revenues received from Duke Energy.
- * Expenditures of \$18,253 were reclassified from Special Revenue Funds, public safety and public works line items to the General Fund, general government line item. These were done to move expenditures that were not allowed to be paid from the Special Revenue Funds.

In 2007:

- * Fire Fund expenditures of \$6,969 were reclassified from public safety to principal and interest.
- * General Fund expenditures of \$7,834 were reclassified from general government to principal and interest.
- * General and Gasoline Fund intergovernmental revenues of \$4,703 was increased to record revenues that were deposited in the bank but not recorded in the system.
- * General Fund revenues of \$3,617 were reclassified from other revenue to intergovernmental revenue to properly post revenues received from Duke Energy.
- * Road and Bridge Fund revenues of \$9,270 were reclassified from other revenue to intergovernmental revenue to properly post revenue received from Duke Energy.
- * Fire Fund revenues of \$29,731 were reclassified from other revenue to intergovernmental revenue to properly post revenues received from Duke Energy.
- * Expenditures of \$17,573 were reclassified from Special Revenue Funds, public safety and public works line items to the General Fund, general government line item. These were done to move expenditures that were not allowed to be paid from the Special Revenue Funds.
- * Fire Fund expenditures of \$12,500 were reclassified from public safety to capital outlay to properly classify the purchase of a fire truck.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2007-006 (Continued)

Material Weakness (Continued)

The Fiscal Officer did not reconcile the UAN system to the Township's bank account on a monthly basis. This resulted in the majority of the errors noted above. The Fiscal Officer also posted some expenditures and revenues to incorrect line items which resulted in the reclassifications noted above.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer or the Board of Trustees, to identify and correct errors or omissions.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.38(A) - Appropriations were not approved.	Yes	
2005-002	Ohio Rev. Code Section 5705.39 – Appropriations were not filed with County Auditor.	No	Not corrected. See current audit finding number 2007-001.
2005-003	Ohio Rev. Code Section 5705.41(D)- Township did not properly certify availability of funds.	No	Not corrected. See current audit finding number 2007-003.
2005-004	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations.	No	Not corrected. See current audit finding number 2007-002.
2005-005	Receipts and expenditures were not posted in a timely fashion and information did not agree among documents.	No	Not corrected. See current audit finding numbers 2007-004 and 2007-005.



Mary Taylor, CPA
Auditor of State

HAMILTON TOWNSHIP

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 18, 2008**