



**HAMILTON TOWNSHIP  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2008-2007**



**Mary Taylor, CPA**  
Auditor of State



HAMILTON TOWNSHIP  
FRANKLIN COUNTY

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Mary Taylor, CPA  
Auditor of State

Hamilton Township  
Franklin County  
6400 Lockbourne Road  
Lockbourne, Ohio 43137

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 Township 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 6, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Hamilton Township  
Franklin County  
6400 Lockbourne Road  
Lockbourne, Ohio 43137

To the Board of Trustees:

We have audited the accompanying financial statements of Hamilton Township, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2008 and 2007. 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.

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, 2008 and 2007 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, 2008 and 2007, 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 of Hamilton Township, Franklin County, Ohio as of December 31, 2008 and 2007, 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 July 6, 2009, 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.



**Mary Taylor, CPA**  
Auditor of State

July 6, 2009



**HAMILTON TOWNSHIP  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 268,667	\$ 3,008,130	\$ -	\$ 3,276,797
Charges for Services	-	72,151	-	72,151
Licenses, Permits, and Fees	44,036	-	-	44,036
Fines and Forfeitures	22,364	-	-	22,364
Intergovernmental	513,020	284,187	-	797,207
Special Assessments	2,160	-	-	2,160
Earnings on Investments	59,565	4,994	-	64,559
Miscellaneous	6,281	245,379	-	251,660
	<u>916,093</u>	<u>3,614,841</u>	<u>-</u>	<u>4,530,934</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	451,553	-	-	451,553
Public Safety	-	3,078,619	-	3,078,619
Public Works	15,265	72,756	-	88,021
Health	16,588	-	-	16,588
Conservation - Recreation	21,392	-	-	21,392
Capital Outlay	194,583	322,185	-	516,768
Debt Service:				
Redemption of Principal	-	22,997	-	22,997
Interest and Other Fiscal Charges	-	8,261	-	8,261
	<u>699,381</u>	<u>3,504,818</u>	<u>-</u>	<u>4,204,199</u>
Total Receipts Over Disbursements	216,712	110,023	-	326,735
Fund Cash Balances, January 1	<u>1,987,764</u>	<u>2,509,684</u>	<u>14,806</u>	<u>4,512,254</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 2,204,476</u></b>	<b><u>\$ 2,619,707</u></b>	<b><u>\$ 14,806</u></b>	<b><u>\$ 4,838,989</u></b>

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

**HAMILTON TOWNSHIP  
FRANKLIN 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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 240,036	\$ 2,930,239	\$ -	\$ 3,170,275
Licenses, Permits, and Fees	32,816	-	-	32,816
Fines and Forfeitures	22,594	-	-	22,594
Intergovernmental	434,479	166,770	-	601,249
Special Assessments	983	-	-	983
Earnings on Investments	145,530	9,435	-	154,965
Miscellaneous	13,395	61,662	-	75,057
	<u>889,833</u>	<u>3,168,106</u>	<u>-</u>	<u>4,057,939</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	555,098	-	-	555,098
Public Safety	-	2,806,520	-	2,806,520
Public Works	15,796	60,879	-	76,675
Health	11,404	-	-	11,404
Conservation - Recreation	15,652	-	-	15,652
Capital Outlay	102,206	78,957	-	181,163
Debt Service:				
Redemption of Principal	-	21,974	-	21,974
Interest and Other Fiscal Charges	-	9,284	-	9,284
	<u>700,156</u>	<u>2,977,614</u>	<u>-</u>	<u>3,677,770</u>
Total Receipts Over Disbursements	189,677	190,492	-	380,169
Fund Cash Balances, January 1	<u>1,798,087</u>	<u>2,319,192</u>	<u>14,806</u>	<u>4,132,085</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 1,987,764</u></b>	<b><u>\$ 2,509,684</u></b>	<b><u>\$ 14,806</u></b>	<b><u>\$ 4,512,254</u></b>

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

**HAMILTON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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, Franklin County, Ohio (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, fire protection and emergency medical services. The Township contracts with the Franklin County Sheriff's Department to provide police 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 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. Deposits and Investments**

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.

The Township values overnight repurchase agreements at cost.

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

**HAMILTON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**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:

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

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

**3. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following capital project fund:

Ohio Public Works Commission Fund – This fund receives grant or loan aid from OPWC for special street projects in the Township.

**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. 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**HAMILTON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits and Investments**

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

	2008	2007
Demand deposits	\$148,999	\$103,254
Total deposits	148,999	103,254
Overnight repurchase agreement	4,690,000	4,409,000
Total investments	4,690,000	4,409,000
Total deposits and investments	\$4,838,999	\$4,512,254

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize the repurchase agreement. The securities are not in the Township's name.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

Fund Type	2008 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$743,804	\$916,093	\$172,289
Special Revenue	3,204,682	3,614,841	410,159
Total	\$3,948,486	\$4,530,934	\$582,448

**HAMILTON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,510,500	\$699,381	\$811,119
Special Revenue	4,235,000	3,504,818	730,182
Total	\$5,745,500	\$4,204,199	\$1,541,301

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$553,401	\$889,833	\$336,432
Special Revenue	3,351,741	3,168,106	(183,635)
Total	\$3,905,142	\$4,057,939	\$152,797

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,421,500	\$700,156	\$721,344
Special Revenue	3,842,500	2,977,614	864,886
Total	\$5,264,000	\$3,677,770	\$1,586,230

**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.

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.

**HAMILTON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Capital Lease**

The Township entered into a lease/purchase agreement with Key Government Finance, Inc. for the purchase of a fire truck on March 18, 2005. The payments for this lease/purchase agreement are made from the Fire Levy Fund and are derived from revenues received from the Village of Obetz, recorded as Miscellaneous Revenue, as part of a settlement agreement. The lease bears an interest rate of 4.6% and at December 31, 2008 \$162,276 of principal was outstanding. The lease purchase agreement is collateralized by the asset purchased.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2008:

Year ending December 31:	<u>Payment</u>
2009	\$31,258
2010	31,258
2011	31,258
2012	31,258
2013	31,258
2014-2018	<u>31,258</u>
Total minimum lease payments:	187,548
Less amount representing interest:	<u>25,272</u>
Present value of minimum lease payments:	<u>\$162,276</u>

**6. Retirement Systems**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. As part of the union agreement with the Fire Fighters, the Township also picks up the member contributions amount, up to 10%. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**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  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.



**HAMILTON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$28,797. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>	
2006	\$41,431
2007	\$29,141
2008	\$30,635

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**8. Subsequent Events**

On April 8, 2009 the Township approved a 3% lodging excise tax, which will begin collection on July 1, 2009.

The Township was awarded a no interest loan with Ohio Public Works Commission (OPWC) for \$175,000 for various road projects that will begin during 2009.

The Township placed a 3.0 mill replacement fire levy on the May 5<sup>th</sup> ballot for Fire protection services. This levy was passed by the voters and will begin collection in 2010.



# 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  
Franklin County  
6400 Lockbourne Road  
Lockbourne, Ohio 43137

To the Township Board of Trustees:

We have audited the financial statements of Hamilton Township, Franklin County, Ohio (the Township) as of and for the year ended December 31, 2008 and 2007, and have issued our report thereon dated July 6, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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.

We consider findings 2008-001 through 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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. Of the significant deficiencies described above, we believe findings number 2008-001 and 2008-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 6, 2009.

#### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated July 6, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

July 6, 2009

**HAMILTON TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Financial Reporting – Significant Deficiency / Material Weakness**

Sound financial reporting is the responsibility of the Fiscal Officer of the Township and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the Township's financial statements and, where applicable, to the Township's accounting records:

1. An adjustment to move Other Financing Sources in the Capital Projects Fund to Intergovernmental revenue in the FEMA Fund in the amount of \$4,742 for 2008.
2. A reclassification of Miscellaneous Revenue in the General Fund of \$69,912 to Property and Other Local Taxes Licenses for \$30,000, Licenses Permits, and Fees for \$32,816, Intergovernmental for \$6,114, and Special Assessments for \$983 in 2007 and of \$107,383 to Property and Other Local Taxes for \$45,000, Licenses, Permits, and Fees for \$44,036, Intergovernmental for \$16,187, and Special Assessments for \$2,160 in 2008.
3. An adjustment to reclassify homestead and rollback revenue from Miscellaneous revenue in the Fire Fund in the amount of \$88,389 to Intergovernmental revenue; allocated as follows \$4,979 in the General Fund, \$64,093 in the Fire Fund, and \$19,317 in the Police Fund.
4. An adjustment to decrease beginning fund balances to match the prior audited financial statements of \$87,074 in the General Fund, \$14,927 in the Gas Tax Fund, and \$300 in the Capital Projects Fund.
5. A reclassification of capital lease expenditures from capital outlay to debt service principal and interest expenditures of \$31,258 for 2008 and \$31,258 for 2007 in the Fire Fund.

The following audit reclassifications were immaterial to the overall financial statements of the Township and were not posted to the financial statements.

1. A reclassification of property tax rollback and public utility revenue from Property and Other Local Taxes to Intergovernmental revenue of \$15,327 in the Police Fund and \$52,286 in the Fire Fund for 2007.
2. A reclassification of Miscellaneous Revenue in the Fire Fund of \$17,345 to Licenses, Permits, and Fees for \$7,125 and Intergovernmental for \$10,220 in 2007 and of \$21,820 to Licenses, Permits, and Fees for \$4,900, Intergovernmental for \$11,920, and Sale of Assets for \$5,000 in 2008.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

We recommend the Township develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increases the reliability of the financial data throughout the year. Such procedures may include review of the financial ledgers and financial statements by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors and omissions.

**HAMILTON TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-002**

**Bank Reconciliation – Significant Deficiency / Material Weakness**

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority. Reconciling items should be adjusted at the time the item or error is discovered and the discrepancy is resolved.

The Township was unable to reconcile the bank to book balance throughout 2007 and 2008 with a \$102,291 unidentified unreconciled variance listed as other adjusting factors on the bank reconciliation to balance. Following audit adjustments (See Finding 2008-001) the unreconciled variance was reduced down to \$9.

The Township also continues to maintain a list of long outstanding checks that are utilized in the monthly reconciliation process.

Unreconciled bank to book balances and uncorrected reconciling items leads to misstated bank and/or book balances and could lead to possible theft or errors without the timely detection by management.

We recommend the Township take steps to ensure all accounts are reconciled on a monthly basis and any future unreconciled variances are investigated and corrected in a timely manner. The Township should additionally take steps to alleviate or adjust long outstanding reconciling items such as voiding or reissuing long outstanding checks. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by the Board of Trustees.

**FINDING NUMBER 2008-003**

**Board Monitoring – Significant Deficiency**

Implementing internal controls is an important responsibility of management. In addition, the Board must periodically monitor management's control procedures to verify they are functioning effectively. To serve as informed overseers of the financial reporting process, the Board of Trustees should perform the following functions:

- Review monthly financial reports
- Review monthly reconciliations
- Review the financial statements

There was no documentation to indicate the Board of Trustees was receiving reviewing the above described financial reports on a regular basis, other than receiving bills lists for approval.

By not actively reviewing monthly reports and reconciliations errors and irregularities could occur and not be detected in a timely manner.

We recommend the Board monitor the Township's financial activity and document their receipt and review of this activity in the minute record of the Township.

We did not receive an Official's response for the findings denoted above.

HAMILTON TOWNSHIP  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	ORC 5705.39 - Appropriations exceeded Estimated Resources	Yes	Finding No longer valid







**Mary Taylor, CPA**  
Auditor of State

**HAMILTON TOWNSHIP**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 19, 2009**