



Dave Yost • Auditor of State

HAMILTON TOWNSHIP
LAWRENCE COUNTY

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Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 2, 2012

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Dave Yost • 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, 2011 and 2010. 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.

Except as noted below, 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient evidential matter supporting the amounts recorded as Non-Payroll Disbursements nor were we able to satisfy ourselves as to the completeness of those disbursements by other auditing procedures. These disbursements represent .5 percent and 7.1 percent of General Fund Non-payroll disbursements for the years ended December 31, 2011 and 2010, respectively. These disbursements represent 21.9 percent and 4.8 percent of Special Revenue Funds non-payroll disbursements for the years ended December 31, 2011 and 2010, respectively.

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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

During 2011 and 2010, the Township improperly paid purchasing expenditures from the Special Revenue Gasoline Tax Fund in the amount of \$3,528 and \$3,216, respectively, that should have been paid from the General Fund. During 2011 and 2010, the Township improperly paid purchasing expenditures from the Special Revenue Road and Bridge Fund in the amount of \$4,599 and \$2,500, respectively, that should have been paid from the General Fund. During 2011 and 2010, the Township improperly paid purchasing expenditures from the Special Revenue Fire Levy Fund in the amount of \$1,779 and \$1,891, respectively, that should have been paid from the General Fund. Also during 2010, the Township improperly posted a Beginning Balance Adjustment reducing the Special Revenue Gasoline Tax Fund in the amount of \$20,923 and increasing the General Fund by the same amount. These adjustments would increase the Special Revenue Gasoline Tax Fund balance in fiscal years 2011 and 2010 by 17.5 and 19.9 percent, respectively; increase the Special Revenue Road and Bridge Fund balance in fiscal years 2011 and 2010 by 8.5 and 4.1 percent, respectively; increase the Special Revenue Fire Levy Fund balance in fiscal years 2011 and 2010 by 657.8 and 53.7 percent, respectively; and decrease the General Fund balance in fiscal years 2011 and 2010 by 1,709 and 359.6 percent, respectively. Due to the negative impact these adjustment would have on the General Fund, the Township has declined to make these adjustments.

During 2011 and 2010, the Township improperly paid salaries and fringe benefits for the Board of Trustees from the Special Revenue Gasoline Tax Fund in the amount of \$29,111 and \$28,453, respectively, that should have been paid from the General Fund. These adjustments would increase the Special Revenue Gasoline Tax Fund balance in fiscal years 2011 and 2010 by 36.4 and 23.5 percent, respectively and decrease the General Fund balance in fiscal years 2011 and 2010 by 1,294.4 and 358.7 percent, respectively. Due to the negative impact these adjustment would have on the General Fund, the Township has declined to make these adjustments.

During the prior audit, the Township improperly paid salaries and fringe benefits for the Board of Trustees from the Gasoline Tax Fund in the amount of \$38,680 that should have been paid from the General Fund. Due to the impact this adjustment would have on the General Fund, the Township declined to make this adjustment during this audit period.

Had the posting errors noted in the preceding paragraph been properly posted to the financial statements and the accounting system, the General Fund cash fund balance as of December 31, 2011 would have been decreased by \$134,680, the Gasoline Tax Fund cash fund balance as of December 31, 2011 would have increased by \$123,911, the Road and Bridge Fund cash fund balance as of December 31, 2011 would have increased by \$7,099, and the Fire Levy Fund cash fund balance as of December 31, 2011 would have increased by \$3,670.

Also, in our opinion, except for the effects adjustments, if any, that might have been required had we been able to examine sufficient appropriate evidence regarding non-payroll disbursements as described in paragraph 3, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Hamilton Township, Lawrence County, Ohio as of December 31, 2011 and 2010 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705 for the years ended December 31, 2011 and 2010. The basis of accounting prescribed by the Auditor of State requires the Township to report outstanding encumbrances at year end as budgetary expenditures. Accordingly, budgetary expenditures in Note 4 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances for the years ended December 31, 2011 and 2010.

As described in Note 2, during 2010, the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Note 13 to the financial statements, the Township would have a deficit General Fund cash balance as of December 31, 2011 and December 31, 2010 if all Findings for Adjustment identified were posted, which indicates the Township was having financial difficulty. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, 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.



Dave Yost
Auditor of State

November 2, 2012

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**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$5,346	\$41,098	\$46,444
Intergovernmental	18,238	132,240	150,478
Earnings on Investments	3	15	18
Miscellaneous	412	8,402	8,814
<i>Total Cash Receipts</i>	<u>23,999</u>	<u>181,755</u>	<u>205,754</u>
Cash Disbursements:			
Current:			
General Government	29,683		29,683
Public Safety		57,144	57,144
Public Works		79,085	79,085
Debt Service:			
Principal Retirement		13,250	13,250
Interest and Fiscal Charges		1,840	1,840
<i>Total Cash Disbursements</i>	<u>29,683</u>	<u>151,319</u>	<u>181,002</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(5,684)	30,436	24,752
<i>Fund Cash Balances, January 1</i>	<u>7,933</u>	<u>194,247</u>	<u>202,180</u>
Fund Cash Balances, December 31			
Restricted		224,683	224,683
Unassigned (Deficit)	<u>2,249</u>		<u>2,249</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,249</u></u>	<u><u>\$224,683</u></u>	<u><u>\$226,932</u></u>

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

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$5,312	\$5,910	\$11,222
Intergovernmental	16,194	166,970	183,164
Earnings on Investments	17	1	18
Miscellaneous		5,014	5,014
<i>Total Cash Receipts</i>	<u>21,523</u>	<u>177,895</u>	<u>199,418</u>
Cash Disbursements:			
Current:			
General Government	39,366		39,366
Public Safety		55,276	55,276
Public Works		81,417	81,417
Capital Outlay	1,040	1,647	2,687
Debt Service:			
Principal Retirement		16,841	16,841
Interest and Fiscal Charges		2,606	2,606
<i>Total Cash Disbursements</i>	<u>40,406</u>	<u>157,787</u>	<u>198,193</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(18,883)	20,108	1,225
<i>Fund Cash Balances, January 1 (Restated - See Note 12)</i>	<u>26,816</u>	<u>174,139</u>	<u>200,955</u>
Fund Cash Balances, December 31			
Restricted		194,247	194,247
Unassigned (Deficit)	7,933		7,933
Fund Cash Balances, December 31	<u><u>\$7,933</u></u>	<u><u>\$194,247</u></u>	<u><u>\$202,180</u></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, 2011 AND 2010**

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 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

The Township had one primary account during the audit period.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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:

Fire Fund - 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, 2011 AND 2010
(Continued)**

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 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. The Township did not use the encumbrance method of accounting.

A summary of 2011 and 2010 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.

HAMILTON TOWNSHIP
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

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. Change in Accounting Principle

For fiscal year 2010, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	<u>\$226,932</u>	<u>\$202,180</u>

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Equity in Pooled Deposits (Continued)

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$23,999	\$23,999
Special Revenue	0	181,755	181,755
Total	\$0	\$205,754	\$205,754

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$29,683	(\$29,683)
Special Revenue	0	151,319	(151,319)
Total	\$0	\$181,002	(\$181,002)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$21,523	\$21,523
Special Revenue	0	177,895	177,895
Total	\$0	\$199,418	\$199,418

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$40,406	(\$40,406)
Special Revenue	0	157,787	(157,787)
Total	\$0	\$198,193	(\$198,193)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$29,683 and \$40,406, respectively, for the years ended December 31, 2011 and 2010. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in Special Revenue Funds by \$151,319 and \$157,787, respectively, for the years ended December 31, 2011 and 2010. 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 2011 or 2010.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. 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.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
General Obligation Bonds- Fire Truck	\$24,414	4.41%
General Obligation Notes- Fire Truck	4,107	5.23%
Total	\$28,521	

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.

Township issued general obligation notes in 2009 to finance the purchase of a fire truck for Township fire protection services. The Township's taxing authority collateralized the notes.

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

	General Obligation Bond- Fire Truck	General Obligation Note- Fire Truck
Year ending December 31:		
2012	\$12,834	\$2,068
2013	12,834	2,256
Total	\$25,668	\$4,324

8. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

10. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment 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.

11. Related Party Transactions

A Township contract laborer, Jarrod Robinson (e.g., Robinson Trucking) used for road work is the nephew of Fiscal Officer, Mary Sue Robinson, and Trustee, Bill Robinson. The Township paid Robinson Trucking \$780 in 2011 and \$15,304 in 2010. The Trustee did not abstain from approving invoices for Robinson Trucking.

12. Restatement of Fund Balances

The January 1, 2010 fund balances were restated due to the Fiscal Officer's adjustment for payment of insurance that moved expenditures from the General Fund to the Gasoline Tax Fund. See Finding Number 2011-07 regarding this issue. This resulted in the following restatements:

	Original Balance at December 31, 2009		Increase/ (Decrease)		Restated January 1, 2010 Beginning Balance
General Fund	\$ 5,893	\$	20,923	\$	26,816
Gasoline Tax Fund	195,062		(20,923)		174,139

13. Going Concern

At December 31, 2011, the Township had Findings for Adjustment totaling \$134,680 issued against its General Fund. The Township's General Fund balance available at December 31, 2011 was \$2,249, which would result in deficit cash fund balances of \$132,431 in the General Fund if all Findings for Adjustment were repaid. As of the date of this report, the Township has not taken any steps to reduce the negative fund balances.



Dave Yost • 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, 2011 and 2010, and have issued our report thereon dated November 2, 2012 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 and adopted the provisions of Governmental Accounting Standards Board Statement No. 54. We noted that the Township did not use the encumbrance method of accounting as required by Ohio Revised Code Chapter 5705. We also noted the Township is experiencing financial difficulties. We also noted 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(A) mandates the Auditor of State to audit Ohio governments. We qualified our opinion due to the lack of sufficient, appropriate, evidential matter for the amounts reported as non-payroll disbursements for the General and Special Revenue Funds. We also included a qualified opinion on the 2011 and 2010 financial statements of the General and Special Revenue Funds due to the Township declining to make certain audit adjustments. Except as discussed in the preceding two sentences, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses.

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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 another deficiency we consider to be 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2011-02, 2011-04, and 2011-05 through 2011-10 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2011-11 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, 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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2011-01 through 2011-07.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 2, 2012.

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



Dave Yost
Auditor of State

November 2, 2012

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

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 receive 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 2011 or 2010. The Township made only eight and six total deposits during 2011 and 2010, respectively, with each deposit exceeding \$8,000. In addition, the Lawrence County Auditor's outstanding check report also reflected that the Township has not deposited three checks from 2007 totaling \$1,226.04 and a 2008 Gasoline Tax check for \$2,267.51. 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.

We recommend the Fiscal Officer deposit public money timely and refrain from holding significant amounts of cash and checks for an unreasonable period of time. In addition, we recommend the Fiscal Officer contact Greg Kline with the Lawrence County Auditor's Office to determine if new checks can be issued for the following: \$12.88 for first half 2007 personal property tax, \$917.21 for local government income tax, \$295.95 for revenue assistance and \$2,267.51 for August 2008 gasoline tax.

Officials' Response: We decline to respond.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-02

Noncompliance Citation / Material Weakness / Finding For Adjustment

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. To be paid on a salary basis in equal monthly installments, the board of trustees must unanimously pass a resolution to allow it. To be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund. In addition, OAG Opinion No. 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

The approved proportions are a guide for use throughout the year; however, total payment for the fiscal year must be based on the cumulative actual service efforts. The Fiscal Officer may use the amounts specified within the Resolution to allocate the Trustee compensation payments evenly to the appropriate funds throughout the year. However, at year end, the Fiscal Officer should reconcile the fund allocations to time and effort records, maintained by the Trustees, documenting the actual cumulative service effort for the year. If necessary, the Fiscal Officer should adjust the fund allocations according to the actual cumulative service effort.

For 2011 and 2010, the compensation of the Board of Trustees was paid from the Gasoline Tax Fund. The Board of Trustees did not establish administrative procedures or keep records for eleven months documenting their time spent on Township business and the type of services performed on these funds. Trustees' salaries and fringe benefits are to be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees' salaries chargeable to other Township funds.

As a result of the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$28,453 and in favor of the Gasoline Tax Fund for 2010 and against the Township's General Fund in the amount of \$29,111 in favor of the Gasoline Tax Fund for 2011. This is a total of \$57,564 for the two year period. The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

For 2009 and 2008, the compensation of the Board of Trustees was paid from the Gasoline Tax Fund. The Board of Trustees did not establish administrative procedures or keep records documenting their time spent on Township business and the type of services performed on these funds. Trustees' salaries and fringe benefits are to be paid from the General Fund unless administrative procedures are established to document the proportionate amount of Trustees' salaries chargeable to other Township funds.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-02 (Continued)

Noncompliance Citation / Material Weakness / Finding for Adjustment - Ohio Rev. Code Section 505.24(C) (Continued)

As a result of the foregoing facts, a Finding for Adjustment was issued against the Township's General Fund in the amount of \$38,680 and in favor of the Gasoline Tax Fund as part of the Township's 2009-2008 audit. The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Board of Trustees on various duties. Once these administrative procedures are established, the Fiscal Officer should charge the trustee salaries and related benefits to the applicable funds in accordance with the timesheets or other similar method of record keeping.

Officials' Response: We decline to respond.

FINDING NUMBER 2011-03

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established.

The Fire Fund held by the Township is funded by a voted fire levy. The stated purpose of this funding was "providing and maintaining fire apparatus, appliances, buildings or sites therefore, or sources of water supply and materials therefore, or the establishment and maintenance of lines of fire alarm, telegraph, or the payment of permanent, part-time, or volunteer firemen or fire fighting companies to operate the same, including the payment of the firemen employer's contribution required under Section 742.34 of the Revised Code, to purchase ambulance equipment, or to provide ambulance or emergency medical services operated by a fire department or fire fighting company, in Hamilton Township, Lawrence County, Ohio."

The Township spent \$1,597 and \$1,330 in 2011 and 2010, respectively, on food for the fire station, candy and toys to hand out to children at special events, the rental of an inflatable bounce house, and personal items. These purposes are not consistent with the terms of the levy providing funding. Failure to spend funding in accordance with approved purposes can lead to Findings for Recovery, Findings for Adjustment, and negative fund balances.

We recommend the Board of Trustees and Fiscal Officer adequately monitor expenditures to ensure payments are only made from allowable funds. We further recommend the Township enter into a fire services contract with a valid fire department of their choice. This contract should state the terms, responsibilities of each party, and services provided which should be consistent with approved levy language. The amount of the contract could be set to allow for all fire levy funds to be paid to the fire department for services provided, eliminating the individual reimbursement requests made to the Township by the Fire Department under the current procedures.

Officials' Response: We decline to respond.

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-04

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 measure for meeting the ordinary expenses until no later than April 1.

For 2011 and 2010, approval of temporary or final appropriations was not recorded in the minute record. An appropriation measure 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.

We recommend the Board of Trustees 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. We further recommend that the Township file all approved appropriation resolutions with the Office of the Lawrence County Auditor.

Officials' Response: We decline to respond.

FINDING NUMBER 2011-05

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 2010 or 2011. As such, all expenditures made by the Township exceeded appropriation amounts:

2010- General Fund expenditures \$40,406	2011- General Fund expenditures \$29,683
2010- Motor Vehicle License Tax Fund \$542	2011- Motor Vehicle License Tax Fund \$541
2010- Gasoline Tax Fund \$82,633	2011- Gasoline Tax Fund \$66,762
2010- Road and Bridge Fund \$4,058	2011- Road and Bridge Fund \$11,782
2010- Fire Levy Fund \$70,554	2011- Fire Levy Fund \$72,234

Failure to approve an appropriation resolution eliminates a significant control point and results in improper expenditures.

We recommend that the Board of Trustees approve an annual appropriation resolution at the beginning of each year. We further recommend the Township expend monies in accordance with the approved appropriation resolution.

Officials' Response: We decline to respond.

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-06

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 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.

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 2011 and 2010. However, the Board of Trustees did not approve an appropriation resolution on which to base the purchase orders for 2011 or 2010, making the purchase orders invalid. This resulted in noncompliance of the above Ohio Revised Code Section and could result in overspending funds and negative cash fund balances.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-06 (Continued)

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

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 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.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method it 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.

Officials' Response: We decline to respond.

FINDING NUMBER 2011-07

Noncompliance Citation / Material Weakness / Finding for Adjustment

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.

The Fiscal Officer posted a beginning balance adjustment to the 2010 financial statements increasing the General Fund balance by \$20,923 and decreasing the Gasoline Tax Fund balance by \$20,923. The Fiscal Officer did not retain support for the amount adjusted. The Fiscal Officer stated that she posted the adjustment to move insurance costs posted in 2009 from the General Fund to the fund from which the Trustees were paid their salaries. However, the 2009-2008 audit of Hamilton Township included a Finding for Adjustment to move Trustee salary amounts from the Gasoline Tax Fund to the General Fund. As such, this adjustment cannot be supported.

Furthermore, testing of high dollar transactions revealed that the Fiscal Officer posted multiple non-payroll expenditures to improper funds. Incorrect postings resulted in the following required adjustments:

2011:

- increase General Fund/General Government \$9,906
- decrease Gasoline Tax Fund/Public Works \$3,528
- decrease Road and Bridge Fund/Public Works \$4,599
- decrease Fire Levy Fund/Public Safety 1,779

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-07 (Continued)

Noncompliance Citation / Material Weakness / Finding for Adjustment - Ohio Admin. Code Section 117-2-02(A) (Continued)

2010:

- increase General Fund/General Government \$7,607
- decrease Gasoline Tax Fund/Public Works \$3,216
- decrease Road and Bridge Fund/Public Works \$2,500
- decrease Fire Levy Fund/Public Safety \$1,891

As a result of the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$27,667 and in favor of the Gasoline Tax Fund. As a result of the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$7,099 and in favor of the Road and Bridge Fund. As a result of the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$3,670 and in favor of the Fire Levy Fund. The Fiscal Officer has not posted these adjustments to the Township records and, therefore, these adjustments are not reflected in the accompanying financial statements.

Lastly, the Fiscal Officer failed to maintain support for \$33,314 and \$10,504 in non-payroll expenditures in 2011 and 2010, respectively. Failure to support these amounts prevented determination of proper public purpose or proper posting.

We recommend the Fiscal Officer maintain support for all adjustments posted. We further recommend the Fiscal Officer and Board of Trustees monitor expenditures to allow the General Fund to become healthy enough to allow the posting of these adjustments. Lastly, we recommend the Fiscal Officer monitor expenditures to ensure expenditures are posted to the proper funds.

Officials' Response: We decline to respond.

FINDING NUMBER 2011-08

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 in 2010 that contributed to them not being able to reconcile:

1. The Fiscal Officer posted handwritten checks to the UAN system for amounts differing from the amounts written on the checks totaling \$464.
2. The Fiscal Officer posted checks to the UAN system which did not clear the bank or represent actual expenditures totaling \$1,458.
3. The Fiscal Officer issued checks totaling \$4,397 without posting them to the UAN system.
4. The Fiscal Officer issued a check totaling \$188 in 2010 without posting the check until 2011.
5. The Fiscal Officer did not post \$145 in bank service charges.
6. The Fiscal Officer posted a personal property tax receipt for \$5,498 which never cleared the bank and did not represent a valid receipt.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-08 (Continued)

Material Weakness (Continued)

The Township made the following errors in 2011 that contributed to them not being able to reconcile:

1. The Fiscal Officer posted handwritten checks to the UAN system for amounts differing from the amounts written on the checks totaling \$896.
2. The Fiscal Officer posted checks to the UAN system which did not clear the bank or represent actual expenditures totaling \$3,287.
3. The Fiscal Officer issued checks totaling \$5,458 without posting them to the UAN system.
4. The Fiscal Officer issued a check totaling \$188 in 2010 without posting the check until 2011.
5. The Fiscal Officer did not post \$142 in bank service charges.

These factors resulted in the Township being out of balance with the bank at December 31, 2011 and 2010, incorrect balances in individual funds, and the Township's annual financial report for 2011 and 2010 being incorrect.

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.

Officials' Response: We decline to respond.

FINDING NUMBER 2011-09

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 many instances where the check numbers entered from the system for checks generated through the UAN system did not match the check numbers actually printed. Discrepancies existed for 49 percent of checks in 2011 and 97 percent of checks in 2010. This resulted in a more cumbersome bank reconciliation process. This could also raise question as to the integrity of data entered in 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. In addition, we recommend the Fiscal Officer reconcile each check monthly to provide an accurate listing of outstanding checks.

Officials' Response: We decline to respond.

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-10

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 2011:

- **General Fund:** Fund Cash Balance, January 1 decreased \$6,713 due to 2010 audit adjustments posted; General Government increased \$3,143 to reconcile the UAN system to the bank statements; Property and Other local Taxes decreased \$360, Intergovernmental increased \$4,302, Miscellaneous decreased \$3,911, Interest decreased \$169, and General Government increased \$3 to correct posting errors and record amounts at gross as required;
- **Motor Vehicle License Tax Fund:** Fund Cash Balance, January 1 decreased \$2 due to 2010 audit adjustments posted;
- **Gasoline Tax Fund:** Fund Cash Balance, January 1 increased \$401 due to 2010 audit adjustments posted; Public Works decreased \$2,478 to reconcile the UAN system to the bank statements;
- **Fire Levy Fund:** Fund Cash Balance, January 1 decreased \$2,325 due to 2010 audit adjustments posted; Public Safety increased \$564 to reconcile the UAN system to the bank statements; Property and Other local Taxes increased \$106, Intergovernmental increased \$31,550, Miscellaneous decreased \$31,550, and Public Safety increased \$12 to correct posting errors and record amounts at gross as required; \$15,090 reclassified from Public Safety to \$13,250 Principal Retirement and \$1,840 Interest and Fiscal Charges to reflect debt payments made;
- **Road and Bridge Fund:** Fund Cash Balance, January 1 decreased \$596 due to 2010 audit adjustments posted; Property and Other local Taxes increased \$1,508, Intergovernmental increased \$9,804, Miscellaneous decreased \$9,804, and Public Works increased \$1,461 to correct posting errors and record amounts at gross as required.

In 2010:

- **General Fund:** Reserve for Encumbrance decreased \$25 due to lack of appropriations supporting encumbrance; General Government increased \$3,839 and Intergovernmental decreased \$2,874 to reconcile the UAN system to the bank statements; Property and Other local Taxes increased \$1,950, Intergovernmental increased \$4,983, Miscellaneous decreased \$3,973, and General Government increased \$2,960 to correct posting errors and record amounts at gross as required; Unassigned Fund Cash Balance, December 31 increased \$7,933 due to GASB 54 reclassification;
- **Motor Vehicle License Tax Fund:** Intergovernmental decreased \$3 to reconcile the UAN system to the bank statements; Fund Cash Balance, January 1 increased \$1 due to prior audit adjustments posted; Restricted Fund Cash Balance, December 31 increased \$8,872 due to GASB 54 reclassification;

HAMILTON TOWNSHIP
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2011-10 (Continued)

Material Weakness (Continued)

- **Gasoline Tax Fund:** Intergovernmental decreased \$406, Miscellaneous increased \$405, Interest increased \$1 to correct posting errors; Public Works decreased \$401 to reconcile the UAN system to the bank statements; \$4,169 reclassified from Public Works to \$4,000 Principal Retirement and \$169 Interest and Fiscal Charges to reflect debt payments made; Reserve for Encumbrance decreased \$27 due to lack of appropriations supporting encumbrance; Restricted Fund Cash Balance, December 31 increased \$121,225 due to GASB 54 reclassification;
- **Fire Levy Fund:** \$15,278 reclassified from Public Safety to \$12,841 Principal Retirement and \$2,437 Interest and Fiscal Charges to reflect debt payments made; Intergovernmental decreased \$2,027 to reconcile the UAN system to the bank statements; Public Safety increased \$298 to reconcile the UAN system to the bank statements; Property and Other local Taxes decreased \$67, Intergovernmental increased \$42,021, and Miscellaneous decreased \$41,954 to correct posting errors; Restricted Fund Cash Balance, December 31 increased \$60,630 due to GASB 54 reclassification;
- **Road and Bridge Fund:** Fund Cash Balance, January 1 increased \$1 due to prior audit adjustments posted; Intergovernmental decreased \$597 to reconcile the UAN system to the bank statements. Restricted Fund Cash Balance, December 31 increased \$3,520 due to GASB 54 reclassification; Property and Other local Taxes increased \$20, Intergovernmental decreased \$12,871, and Miscellaneous decreased \$12,851 to correct posting errors.

The Fiscal Officer did not reconcile the UAN System to the Township's bank account on a monthly basis. This resulted in many of 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 decline to respond.

FINDING NUMBER 2011-11

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

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-11 (Continued)

Significant Deficiency (Continued)

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 minute record for July 2010 and December 2010. The Fiscal Officer did not maintain copies of the approved Payment Register or Fund Status Report preventing subsequent review to determine if amounts presented and approved agreed to the actual amounts in the UAN system. 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.

We recommend the Fiscal Officer 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.

Officials' Response: We decline to respond.

**HAMILTON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 9.38 for untimely deposit of receipts.	No	Reissued as Finding 2011-01
2009-002	Ohio Rev. Code Section 5705.36(A)(2) for failing to obtain an amended Certificate of Estimated Resources	Yes	
2009-003	Ohio Rev. Code Section 5705.38(A) for failing to approve an Annual Appropriation Resolution	No	Reissued as Finding 2011-04
2009-004	Ohio Revised Code Section 5705.39 for appropriations exceeding estimated resources.	Yes	
2009-005	Ohio Rev. Code Section 5705.41(D)(1) for failing to properly encumber expenditures.	No	Reissued as Finding 2011-06
2009-006	Finding for Adjustment - Ohio Rev. Code Section 505.24(C) for improperly documenting Trustee chargeability.	No	Reissued as Finding 2011-02
2009-007	Monthly bank reconciliations not performed.	No	Reissued as Finding 2011-08
2009-008	Sound financial reporting.	No	Reissued as Finding 2011-10
2009-009	Failure to agree checks in the accounting system to actual checks issued.	No	Reissued as Finding 2011-09
2009-010	Inadequate financial monitoring by the Board of Trustees	No	Reissued as Finding 2011-11



Dave Yost • 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 20, 2012**