



Dave Yost • Auditor of State

HAMILTON TOWNSHIP
WARREN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hamilton Township
Warren County
7780 South State Route 48
Maineville, Ohio 45039

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Hamilton Township, Warren County, (the Township) as of and for the years ended December 31, 2013, 2012, 2011, and 2010.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013, 2012, 2011, and 2010, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Hamilton Township, Warren County as of December 31, 2013, 2012, 2011, and 2010, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2010 Hamilton Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the Township has suffered recurring losses and has a negative Debt Service Balance. The Auditor of State has determined a fiscal emergency exists. Note 13 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. As of June 2, 2014, the financial planning and supervision commission required by Ohio Revised Code Section 118.05 has not yet convened.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

June 2, 2014

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**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Taxes	\$ 570,897	\$ 5,240,672	\$ -	\$ -	\$ 5,811,569
Licenses, Permits and Fees	166,931	27,983	-	-	194,914
Charges for Services	7,634	468,572	-	-	476,206
Fines and Forfeitures	-	27,524	-	-	27,524
Intergovernmental	552,007	1,092,413	-	-	1,644,420
Special Assessments	-	290,845	-	-	290,845
Earnings on Investments	4,231	239	-	-	4,470
Other Revenue	52,012	120,965	-	-	172,977
Payment in Lieu of Taxes	-	1,105,337	-	-	1,105,337
	<u>1,353,712</u>	<u>8,374,550</u>	<u>-</u>	<u>-</u>	<u>9,728,262</u>
Total Cash Receipts					
	<u>1,353,712</u>	<u>8,374,550</u>	<u>-</u>	<u>-</u>	<u>9,728,262</u>
Cash Disbursements:					
Current:					
Public Safety	-	4,284,014	-	-	4,284,014
Public Works	-	1,307,965	-	-	1,307,965
Public Health	18,670	20,867	-	-	39,537
Human Services	42,862	-	-	-	42,862
Conservation - Recreation	76,937	-	-	-	76,937
General Government	1,149,373	526,730	-	-	1,676,103
Capital Outlay	45,948	385,699	-	500,450	932,097
Debt Service:					
Redemption of Principal	67,000	600,000	185,000	-	852,000
Interest and Fiscal Charges	1,284	10,470	56,825	-	68,579
	<u>1,402,074</u>	<u>7,135,745</u>	<u>241,825</u>	<u>500,450</u>	<u>9,280,094</u>
Total Cash Disbursements					
	<u>1,402,074</u>	<u>7,135,745</u>	<u>241,825</u>	<u>500,450</u>	<u>9,280,094</u>
Total Receipts Over (under) Disbursements	<u>(48,362)</u>	<u>1,238,805</u>	<u>(241,825)</u>	<u>(500,450)</u>	<u>448,168</u>
Other Financing Receipts (Disbursements):					
Proceeds from Debt	-	-	-	500,450	500,450
Transfers-In	-	-	213,412	-	213,412
Transfers-Out	(106,706)	(106,706)	-	-	(213,412)
Other Financing Uses	-	(429,306)	-	-	(429,306)
	<u>(106,706)</u>	<u>(536,012)</u>	<u>213,412</u>	<u>500,450</u>	<u>71,144</u>
Total Other Financing Receipts (Disbursements)					
	<u>(106,706)</u>	<u>(536,012)</u>	<u>213,412</u>	<u>500,450</u>	<u>71,144</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>(155,068)</u>	<u>702,793</u>	<u>(28,413)</u>	<u>-</u>	<u>519,312</u>
Fund Cash Balances, January 1	<u>189,768</u>	<u>8,768,677</u>	<u>(2,345,267)</u>	<u>-</u>	<u>6,613,178</u>
Fund Cash Balances, December 31:					
Restricted	-	9,791,756	-	-	9,791,756
Unassigned	34,700	(320,286)	(2,373,680)	-	(2,659,266)
	<u>34,700</u>	<u>(320,286)</u>	<u>(2,373,680)</u>	<u>-</u>	<u>(2,659,266)</u>
Fund Cash Balances, December 31	<u>\$ 34,700</u>	<u>\$ 9,471,470</u>	<u>\$ (2,373,680)</u>	<u>\$ -</u>	<u>\$ 7,132,490</u>

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

**HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Taxes	\$ 584,297	\$ 5,203,162	\$ -	\$ -	\$ 5,787,459
Licenses, Permits and Fees	122,136	164,535	-	-	286,671
Charges for Services	45,045	375,656	-	-	420,701
Fines and Forfeitures	-	32,635	-	-	32,635
Intergovernmental	709,552	1,087,113	-	-	1,796,665
Special Assessments	-	307,485	-	-	307,485
Earnings on Investments	3,119	2,202	-	-	5,321
Other Revenue	39,376	75,845	-	-	115,221
Payment in Lieu of Taxes	-	1,038,451	-	-	1,038,451
	<u>1,503,525</u>	<u>8,287,084</u>	<u>-</u>	<u>-</u>	<u>9,790,609</u>
Total Cash Receipts					
	<u>1,503,525</u>	<u>8,287,084</u>	<u>-</u>	<u>-</u>	<u>9,790,609</u>
Cash Disbursements:					
Current:					
Public Safety	-	4,482,723	-	-	4,482,723
Public Works	-	1,759,307	-	-	1,759,307
Public Health	18,676	28,224	-	-	46,900
Human Services	39,397	-	-	-	39,397
Conservation - Recreation	183,915	26,443	-	-	210,358
General Government	1,158,748	333,753	-	-	1,492,501
Capital Outlay	31,105	359,605	-	76,311	467,021
Debt Service:					
Redemption of Principal	67,000	1,393,548	190,000	-	1,650,548
Interest and Fiscal Charges	2,588	32,274	60,625	-	95,487
	<u>1,501,429</u>	<u>8,415,877</u>	<u>250,625</u>	<u>76,311</u>	<u>10,244,242</u>
Total Cash Disbursements					
	<u>1,501,429</u>	<u>8,415,877</u>	<u>250,625</u>	<u>76,311</u>	<u>10,244,242</u>
Total Receipts Over (under) Disbursements	<u>2,096</u>	<u>(128,793)</u>	<u>(250,625)</u>	<u>(76,311)</u>	<u>(453,633)</u>
Other Financing Receipts (Disbursements):					
Proceeds from Debt	-	603,546	-	76,311	679,857
Other Financing Uses	-	(2,106,114)	-	-	(2,106,114)
	<u>-</u>	<u>(1,502,568)</u>	<u>-</u>	<u>76,311</u>	<u>(1,426,257)</u>
Total Other Financing Receipts (Disbursements)					
	<u>-</u>	<u>(1,502,568)</u>	<u>-</u>	<u>76,311</u>	<u>(1,426,257)</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	<u>2,096</u>	<u>(1,631,361)</u>	<u>(250,625)</u>	<u>-</u>	<u>(1,879,890)</u>
Fund Cash Balances, January 1	<u>187,672</u>	<u>10,400,038</u>	<u>(2,094,642)</u>	<u>-</u>	<u>8,493,068</u>
Fund Cash Balances, December 31:					
Restricted	-	9,142,698	-	-	9,142,698
Unassigned	189,768	(374,021)	(2,345,267)	-	(2,529,520)
	<u>189,768</u>	<u>(374,021)</u>	<u>(2,345,267)</u>	<u>-</u>	<u>(2,529,520)</u>
Fund Cash Balances, December 31	<u>\$ 189,768</u>	<u>\$ 8,768,677</u>	<u>\$ (2,345,267)</u>	<u>\$ -</u>	<u>\$ 6,613,178</u>

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

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Taxes	\$ 597,215	\$ 5,252,143	\$ -	\$ 5,849,358
Licenses, Permits and Fees	95,885	336,344	-	432,229
Charges for Services	500	417,164	-	417,664
Fines and Forfeitures	-	41,637	-	41,637
Intergovernmental	587,195	1,120,446	-	1,707,641
Special Assessments	-	322,851	-	322,851
Earnings on Investments	29,878	2,972	-	32,850
Other Revenue	60,099	31,098	-	91,197
Payment of Lieu of Taxes	-	799,887	-	799,887
Total Cash Receipts	<u>1,370,772</u>	<u>8,324,542</u>	<u>-</u>	<u>9,695,314</u>
Cash Disbursements:				
Current:				
Public Safety	-	4,313,260	-	4,313,260
Public Works	-	1,650,798	-	1,650,798
Public Health	18,793	29,123	-	47,916
Human Services	104,403	-	-	104,403
Conservation - Recreation	-	17,095	-	17,095
General Government	1,052,221	49,081	-	1,101,302
Capital Outlay	432,234	418,242	-	850,476
Debt Service:				
Redemption of Principal	200,000	1,689,555	1,872,000	3,761,555
Interest and Fiscal Charges	4,106	39,009	121,918	165,033
Total Cash Disbursements	<u>1,811,757</u>	<u>8,206,163</u>	<u>1,993,918</u>	<u>12,011,838</u>
Total Receipts Over (Under) Disbursements	<u>(440,985)</u>	<u>118,379</u>	<u>(1,993,918)</u>	<u>(2,316,524)</u>
Other Financing Receipts (Disbursements):				
Proceeds from Debt	489,609	1,312,792	1,804,550	3,606,951
Other Financing Uses	<u>(55,243)</u>	<u>(10,751)</u>	<u>-</u>	<u>(65,994)</u>
Total Other Financing Receipts (Disbursements)	<u>434,366</u>	<u>1,302,041</u>	<u>1,804,550</u>	<u>3,540,957</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(6,619)	1,420,420	(189,368)	1,224,433
Fund Cash Balances, January 1	<u>194,291</u>	<u>8,979,618</u>	<u>(1,905,274)</u>	<u>7,268,635</u>
Fund Cash Balances, December 31:				
Restricted	-	10,561,903	-	10,561,903
Assigned	12,969	-	-	12,969
Unassigned	<u>174,703</u>	<u>(161,865)</u>	<u>(2,094,642)</u>	<u>(2,081,804)</u>
Fund Cash Balances, December 31	<u>\$ 187,672</u>	<u>\$ 10,400,038</u>	<u>\$ (2,094,642)</u>	<u>\$ 8,493,068</u>

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

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Taxes	\$ 583,332	\$ 4,610,929	\$ -	\$ 5,194,261
Licenses, Permits and Fees	95,641	504,920	-	600,561
Charges for Services	-	455,674	-	455,674
Fines and Forfeitures	-	34,453	-	34,453
Intergovernmental	613,746	1,137,499	-	1,751,245
Special Assessments	-	280,898	-	280,898
Earnings on Investments	108,144	2,883	-	111,027
Gifts	-	17,504	-	17,504
Other Revenue	37,837	15,043	-	52,880
Payment of Lieu of Taxes	-	850,500	-	850,500
	<u>1,438,700</u>	<u>7,910,303</u>	<u>-</u>	<u>9,349,003</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Public Safety	-	4,072,563	-	4,072,563
Public Works	-	1,327,301	-	1,327,301
Public Health	19,262	20,626	-	39,888
Human Services	91,831	-	-	91,831
Conservation - Recreation	-	71,132	-	71,132
General Government	1,198,504	181,845	-	1,380,349
Capital Outlay	397,963	809,588	-	1,207,551
Debt Service:				
Redemption of Principal	-	2,130,732	103,000	2,233,732
Interest and Fiscal Charges	-	69,042	113,155	182,197
	<u>1,707,560</u>	<u>8,682,829</u>	<u>216,155</u>	<u>10,606,544</u>
Total Cash Disbursements				
Total Receipts Over (Under) Disbursements	<u>(268,860)</u>	<u>(772,526)</u>	<u>(216,155)</u>	<u>(1,257,541)</u>
Other Financing Receipts (Disbursements):				
Proceeds from Debt	200,000	1,603,308	-	1,803,308
Other Financing Uses	-	(3,740)	-	(3,740)
	<u>200,000</u>	<u>1,599,568</u>	<u>-</u>	<u>1,799,568</u>
Total Other Financing Receipts (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(68,860)	827,042	(216,155)	542,027
Fund Cash Balances, January 1, Restated	<u>263,151</u>	<u>8,152,576</u>	<u>(1,689,119)</u>	<u>6,726,608</u>
Restricted	-	8,979,618	-	8,979,618
Assigned	194,291	-	-	194,291
Unassigned	-	-	(1,905,274)	(1,905,274)
	<u>-</u>	<u>-</u>	<u>(1,905,274)</u>	<u>(1,905,274)</u>
Fund Cash Balances, December 31	<u>\$ 194,291</u>	<u>\$ 8,979,618</u>	<u>\$ (1,905,274)</u>	<u>\$ 7,268,635</u>

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

**HAMILTON TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 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, Warren County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road maintenance, cemetery maintenance, police and fire protection and emergency medical 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 certificates of deposit 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.

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:

**HAMILTON TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Police Fund – This fund receives tax levy money to pay for police salaries and police protection services.

Combined Fire/EMS Fund – This fund receives tax money to provide fire protection and emergency medical and ambulance services for the Township.

TIF Fund – This fund receives proceeds from tax incremental funding from agreements with local property developers.

3. Debt Service Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The Township had the following significant Debt Service Fund:

New Building Bond Retirement Fund – This fund is used to pay the debt associated with the Township Administration Building.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Project Fund:

Nunner Road Widening Project Fund - This fund receives loan proceeds from the Ohio Public Works Commission for the costs associated with the widening of Nunner Road.

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. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

HAMILTON TOWNSHIP
WARREN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2013, 2012, 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:

During the audit period, the Township implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". There was no effect on the fund balances previously reported.

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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.

**HAMILTON TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

H. 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:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Demand deposits	\$4,030,380	\$6,513,028	\$8,393,068	\$6,951,813
Certificates of				
Deposits	3,102,110	100,150	100,000	316,822
Total deposits	<u>\$7,132,490</u>	<u>\$6,613,178</u>	<u>\$8,493,068</u>	<u>\$7,268,635</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**HAMILTON TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013, 2012, 2011 and 2010 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,605,300	\$ 1,353,712	\$ (251,588)
Special Revenue	8,425,463	8,374,550	(50,913)
Debt Service	34,552	213,412	178,860
Capital Projects	500,450	500,450	-
Total	\$ 10,565,765	\$ 10,442,124	\$ (123,641)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,131,642	\$ 1,516,480	\$ 615,162
Special Revenue	18,148,275	7,703,671	10,444,604
Debt Service	450,000	241,825	208,175
Capital Projects	500,450	500,450	-
Total	\$ 21,230,367	\$ 9,962,426	\$ 11,267,941

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,133,019	\$ 1,503,525	\$ 370,506
Special Revenue	9,780,323	8,890,630	(889,693)
Debt Service	249,000	-	(249,000)
Capital Projects	76,311	76,311	-
Total	\$ 11,238,653	\$ 10,470,466	\$ (768,187)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,734,466	\$ 1,501,429	\$ 1,233,037
Special Revenue	18,793,455	10,521,991	8,271,464
Debt Service	312,427	250,625	61,802
Capital Projects	76,311	76,311	-
Total	\$ 21,916,659	\$ 12,350,356	\$ 9,566,303

**HAMILTON TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,908,177	\$ 1,860,381	\$ (47,796)
Special Revenue	9,651,968	9,637,334	(14,634)
Debt Service	-	1,804,550	1,804,550
Total	\$ 11,560,145	\$ 13,302,265	\$ 1,742,120

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,933,057	\$ 1,879,969	\$ 53,088
Special Revenue	18,396,640	8,285,131	10,111,509
Debt Service	368,426	1,993,918	(1,625,492)
Total	\$ 20,698,123	\$ 12,159,018	\$ 8,539,105

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,713,021	\$ 1,638,700	\$ (74,321)
Special Revenue	8,060,546	9,513,611	1,453,065
Debt Service	251,691	-	(251,691)
Total	\$ 10,025,258	\$ 11,152,311	\$ 1,127,053

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,761,947	\$ 1,912,814	\$ (150,867)
Special Revenue	13,707,244	8,686,569	5,020,675
Debt Service	536,110	216,155	319,955
Total	\$ 16,005,301	\$ 10,815,538	\$ 5,189,763

**HAMILTON TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 2011 AND 2010
(Continued)**

4. NONCOMPLIANCE

- Contrary to Ohio Rev. Code, Section 5705.10, the Township had a deficit cash balance in two funds as of December 31, 2010, four funds as of December 31, 2011, four funds as of December 31, 2012 and four funds as of December 31, 2013.
- Contrary to Ohio Rev. Code, Section 5705.41(B), expenditures exceeded appropriations in two funds for the year ended December 31, 2010, two funds for the year ended December 31, 2011, one fund for the year ended December 31, 2012 and six funds for the year ended December 31, 2013.
- Contrary to Ohio Rev. Code, Section 5705.39, appropriations exceeded estimated resources in five funds for the year ended December 31, 2010, eight funds for the year ended December 31, 2011, eight funds for the year ended December 31, 2012 and ten funds for the year ended December 31, 2013.
- Contrary to Ohio Revised Code Section 5705.36(A)(4), the Township did not obtain an amended certificate of estimated resources when actual resources available were known to be less than estimated resources. As a result, appropriations exceeded actual resources available in seven funds for the year ended December 31, 2010, eight funds for the year ended December 31, 2011, nine funds for the year ended December 31, 2012 and six funds for the year ended December 31, 2013.
- Contrary to Ohio Revised Code Section 9.38, the Township did not deposit daily receipts in a timely manner.

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.

**HAMILTON TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 2011 AND 2010
(Continued)**

6. BONDS PAYABLE

Bonds payable at December 31, 2013 are as follows:

	Principal	Interest Rate
Various Purpose Refunding and Acquisition Bonds, Series 2011	\$ 1,625,000	2.0-4.0%

On August 30, 2011 the Township issued \$2,120,000 Various Purpose General Obligation Refunding and Acquisition Bonds, Series 2011 in the amount of \$2,120,000. Proceeds were used to refund the remaining balance of \$1,752,000 that was outstanding on the Township Administration Building Bonds issued during 2000, acquire park land and related improvements in the Township and pay certain costs related to the issuance of the bonds. The bonds mature in various amounts during 2014 through 2027 and carry interest rates from 2.0 to 4.0 percent.

Amortization of the bonds, including interest, is scheduled as follows:

Year	Refunding and Acquisition Bonds, Series 2011
2014	\$ 233,125
2015	229,525
2016	225,925
2017	148,725
2018	144,325
2019-2023	627,575
2024-2027	395,400
Total	\$2,004,600

7. OPWC LOAN PAYABLE

During 2011 the Township received an interest free loan in the amount of \$576,761 from the Ohio Public Works Commission for the Nunner Road Widening Project. The loan will be repaid in equal bi-annual amounts of \$11,535 over 25 years beginning in January 2014 with a final payment scheduled for July 2038.

Amortization of the loan is scheduled as follows:

Year	OPWC Loan #CJ17O
2014	\$ 23,071
2015	23,070
2016	23,071
2017	23,070
2018	23,071
2019-2023	115,352
2024-2028	115,352
2029-2033	115,352
2034-2038	115,352
Total	\$576,761

**HAMILTON TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 2011 AND 2010
(Continued)**

8. CAPITAL LEASES PAYABLE AND NOTES PAYABLE

A. Capital Leases Payable

In November 2005, the Township entered into a \$577,600 seven year capital lease with Ohio Township Association Leasing for a fire truck. The Township made semi-annual payments of \$48,327 in 2010, 2011 and 2012. These payments included interest of \$10,922, \$7,098 and \$3,105 in 2010, 2011 and 2012 respectively. The final payment was issued on October 31, 2012.

B. Notes Payable

In March 2006, the Township issued Various Purpose Infrastructure Improvement Bond Anticipation Notes, Series 2006 for \$2,711,975, for the financing of improvements to the infrastructure of the Township. The Township retired a portion of the Note during each subsequent year by paying a portion of the Notes principal from available funds and issuing new bond anticipation notes for the remaining balance.

The Township issued renewal Various Purpose Infrastructure Improvement Bond Anticipation notes for \$1,600,000 in 2010, \$1,300,000 in 2011 and \$600,000 in 2012. The Township's payments from available resources included principal payments of \$445,000, \$300,000, \$700,000 and \$600,000 in 2010, 2011, 2012 and 2013 respectively. The Township's payments also included interest of \$58,121, \$31,911, \$29,169 and \$10,471 in 2010, 2011, 2012 and 2013 respectively. During 2013, the Notes were retired from available resources of the Township.

In November 2010, the Township issued a Park Improvement Note, Series 2010 for \$200,000, for the financing of improvements to the Township's parks. The Series 2010 Note was retired during November 2011, with a payment of \$70,106, including interest of \$4,106, and by issuing a Park Improvement Note, series 2010, First (2011) Renewal Note for \$134,000. For the First (2011) Renewal Note, the Township paid \$69,588, including interest of \$2,588, in 2012 and paid \$68,284, including interest of \$1,284, in 2013 to retire the obligation.

9. RETIREMENT SYSTEMS

The Township's certified fire fighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multiple employer plans. The Ohio Revised Code prescribes the plans' benefits, including post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 10.75 percent of their gross wages for July through December 2013 and 10 percent for January through June 2013, 2012, 2011 and 2010. The Township contributed an amount equal to 24 percent of participant wages. For 2013, 2012, 2011 and 2010, OPERS Law Enforcement participants contributed 12.6, 12.1, 11.6 and 11.1 percent respectively of their gross salaries. The Township contributed an amount equal to 18.1 percent of participant wages in 2013, 2012 and 2011 and contributed an amount equal to 17.87 percent in 2010.

10. TRANSFERS

During 2013, the General Fund and the Police Fund each transferred \$106,706 to the New Building Bond Retirement Fund for the payment of debt service.

**HAMILTON TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 2011 AND 2010
(Continued)**

11. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

12. PRIOR PERIOD ADJUSTMENT

Fund cash balances previously reported have been restated to properly reflect a September, 2009 donation received totaling \$20,000. The amount was donated for the purpose of development and maintenance of Marr Park.

	General Fund	Special Revenue
Amounts previously reported December 31, 2009	\$283,151	\$8,132,576
Donation received which was originally posted to the General Fund but should have been posted to the Special Revenue – Trust Fund	(20,000)	20,000
Restated amounts, January 1, 2010	\$263,151	\$8,152,576

13. FISCAL EMERGENCY

The Township suffered recurring losses and has a negative balance in the Debt Service Fund. On April 9, 2014 the Auditor of State performed a fiscal analysis of Hamilton Township and placed the Township in Fiscal Emergency. This declaration was based on the determination of the following.

- Total un-provided portion of aggregate deficit funds as of December 31, 2012 and December 31, 2013 was \$2,588,354 and \$2,576,119.
- The treasury deficit exceeded one-sixth of the treasury receipts at December 31, 2012 and December 31, 2013, by \$924,151 and \$1,048,081 respectively.

A financial planning and supervision commission is in the process of being formed to approve a financial recovery plan containing actions to essentially eliminate the fiscal emergency condition.

As of May 19, 2014, the financial planning and supervision commission required by Ohio Rev. Code Section 118.05 has not yet been convened.

**HAMILTON TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013, 2012, 2011 AND 2010
(Continued)**

14. IMPACT FEES

Beginning in 2007, the Township began collecting various impact fees in support of providing services for police, fire, road and park services. Legal challenges to the collection of these impact fees resulted in a court ruling that requires such fees to be returned. As a result of the court rulings, the Township returned \$2,103,932 in 2012 and \$429,306 in 2013. These expenditures are reflected as part of Other Financing Uses, Special Revenue Funds on the accompanying financial statements. As of December 31, 2013, the Township held \$6,090 that represents outstanding checks of \$4,872 and an undistributed amount of \$1,218.

15. CONTINGENT LIABILITIES

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

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Dave Yost • Auditor of State

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

Hamilton Township
Warren County
7780 South State Route 48
Maineville, Ohio 45039

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Hamilton Township, Warren County (the Township) as of and for the years ended December 31, 2013, 2012, 2011, and 2010, and the related notes to the financial statements and have issued our report thereon dated June 2, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Township implemented Board Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* We also noted the Township has suffered recurring losses and has a negative Debt Service Balance, and has been placed in fiscal emergency on April 9, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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 findings 2013-001, 2013-004, 2013-008 through 2013-010 and 2013-012 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-011.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

June 2, 2014

HAMILTON TOWNSHIP
WARREN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013, 2012, 2011 AND 2010

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

FINDING NUMBER 2013-001

Noncompliance Citation/ Material Weakness

Ohio Admin. Code § 117-2-02 (A), requires all local 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 Township overstated General Fund receipts and disbursements during 2010 in the amount of \$42,961, 2011 in the amount of \$57,983, 2012 in the amount of \$75,043 and 2013 in the amount of \$92,041; the overstated receipts and disbursements were caused by the Township writing checks payable to Hamilton Township to cover payroll deductions. The Township recorded audit adjustments were made to correct the overstatements.

We also identified the following conditions related to the Township's financial statements:

- The Township received reimbursements/refunds from the Internal Revenue Service, Bureau of Workers Comp, and Ohio Public Employee Retirement System, during 2013. The Township did not allocate the amounts to the funds from which they disbursed.
- Governmental Accounting Standards Board Statement (GASB) number 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Township did not classify fund balances in accordance with GASB 54.
- The Township recorded Impact Fee Refunds as public works expenditures. These refunds should have been recorded as other financing uses.
- The Township did not accurately record Donations, Commercial Activity Taxes (CAT), Permissive Motor Vehicle Taxes, Tax Increment Financing Payments in Lieu of Taxes, Police Fees & Fines, Gas & Gas Excise Taxes, Cell Tower Rentals, EMS Billings, Cable Franchise Fees, Grant receipts, and Proceeds from the Sale of Assets. These revenues were not posted to the correct accounts and/or funds.

**FINDING NUMBER 2013-001
(Continued)**

These conditions resulted in the following adjustments:

Year	Item	Amount	Proper Fund/ Classification	Fund/ Classification Reported
2010	Prior Period Adjustment (Trust Donation)	\$20,000	Trust Fund / Beginning Fund Balance	General Fund / Beginning Fund Balance
2010	Permissive Motor Vehicle Tax	61,960	Permissive Motor Vehicle Fund / Intergovernmental Revenue	Permissive Motor Vehicle Fund / Taxes
2010	Tax Incremental Financing (TIF) Funds	850,500	Tax Incremental Financing Fund / Payment in Lieu of Taxes	Tax Incremental Financing Fund / Taxes
2010	Fines and Forfeitures	30,871	Police Fund / Fines and Forfeitures	Police Fund / Intergovernmental
2010	Tax Settlement monies	1,903	EMS Fund Intergovernmental	Fire Fund Intergovernmental
2010	Cell Tower Rental	33,924	General Fund / Other Revenue	General Fund / Licenses, Permits and Fees
2010	EMS Billings	308,824	Medical Services Billing Fund / Charges for Services	Medical Services Billing Fund / Licenses, Permits & Fees
2010	GASB 54 - Encumbrances	194,291	General Fund / Assigned Cash Balance	Not Recorded
2010	GASB 54 - Negative Fund Balances	1,905,274	Debt Service Fund / Unassigned	Debt Service Fund / Restricted
2011	Permissive Motor Vehicle Tax	65,832	Permissive Motor Vehicle Fund / Intergovernmental Revenue	Permissive Motor Vehicle Fund / Taxes
2011	Tax Incremental Financing (TIF) Funds	799,887	Tax Incremental Financing Fund / Payment in Lieu of Taxes	Tax Incremental Financing Fund / Taxes
2011	Fines and Forfeitures	30,730	Police Fund / Fines and Forfeitures	Police Fund / Intergovernmental
2011	Cell Tower Rental	35,424	General Fund / Other Revenue	General Fund / Licenses, Permits & Fees
2011	EMS Billings	313,399	Medical Services Billing Fund / Charges for Services	Medical Services Billing Fund / Licenses, Permits & Fees
2011	GASB 54 - Encumbrances	12,969	General Fund / Assigned Cash Balance	Not Recorded
2011	GASB 54 - Negative Fund Balances Debt Service	2,094,642	Debt Service Fund / Unassigned	Debt Service Fund / Restricted
2011	GASB 54 - Negative Fund Balances Motor Vehicle Fund	2,137	Motor Vehicle Fund / Unassigned	Motor Vehicle Fund / Restricted
2011	GASB 54 - Negative Fund Balances Road & Bridge	159,728	Road & Bridge Fund / Unassigned	Road & Bridge Fund / Restricted
2012	Permissive Motor Vehicle Licenses Tax	61,400	Permissive Motor Vehicle License Fund / Intergovernmental	Permissive Motor Vehicle License Fund / Taxes
2012	Tax Incremental Financing monies	1,038,451	Tax Incremental Financing Fund / Payment in Lieu of Taxes	Tax incremental Financing Fund / Taxes
2012	Fines and Forfeitures	25,967	Police Fund / Fines and Forfeitures	Police Fund / Intergovernmental

**FINDING NUMBER 2013-001
(Continued)**

2012	Gas Excise Tax	11,013	Gas Tax Fund / Intergovernmental	Motor Vehicle Fund / Intergovernmental
2012	Franchise Fees	4,500	General Fund / Other Revenue	General Fund /Charges for Services
2012	Cell Tower Rental	27,920	General Fund / Licenses, Permits & Fees	General Fund / Charges for Services
2012	Franchise Fees	69,618	General Fund / Licenses, Permits & Fees	General Fund / Fines & Forfeitures
2012	Cell Tower Rental	30,924	General Fund / Other Revenue	General Fund / Fines & Forfeitures
2012	GOV Deals receipts	7,045	Road & Bridge Fund / Other Revenue	Road & Bridge Fund / Charges for Services
2012	GOV Deals Receipts	9,849	Police Fund / Other Revenue	Police Fund / Charges for Services
2012	GOV Deals Receipts	5,038	Fire Fund / Other Revenue	Fire Fund / Charges for Services
2012	EMS Billings	292,359	Medical Service Funds / Charges for Services	Medical Service Funds / Licenses, Permits & Fees
2012	LOEB Grant	25,292	Police Fund / Other Revenue	Police Fund / Charges for Services
2012	LOEB Grant	7,788	Fire Fund / Other Revenue	Police Fund / Charges for Services
2012	LOEB Grant	13,800	Fire Fund / Other Revenue	Fire Fund / Charges for Services
2012	GASB 54 - Negative Fund Balances Debt Service	2,345,267	Debt Service Fund / Unassigned	Debt Service Fund / Restricted
2012	GASB 54 - Negative fund balances Road & Bridge	373,574	Road & Bridge Fund / Unassigned	Road & Bridge Fund / Restricted
2012	GASB 54 - Negative Fund balance Cemetery Fund	447	Cemetery Fund / Unassigned	Cemetery Fund / Restricted
2012	Impact Fees	547,022	Park Impact Fund / Other Financing Uses	Park Impact Fund / Conservation/Recreation
2012	Impact Fees	1,367,556	Road & Bridge Impact Fund / Other Financing Uses	Road & Bridge Impact Fund / Public Works
2012	Impact Fees	84,157	Police Impact Fund / Other Financing Uses	Police Impact Fund / Public Safety
2012	Impact Fees	105,197	Fire Impact Fund / Other Financing Uses	Fire Impact Fund / Public Safety
2013	Permissive Motor Vehicle License	70,628	Permissive Motor Vehicle License Fund / Intergovernmental	Permissive Motor Vehicle License Fund / Taxes
2013	Tax Incremental Financing	1,090,382	Tax Incremental Financing Fund / Payment In Lieu of Taxes	Tax Incremental Financing Fund / Taxes
2013	Fines & Forfeitures	24,111	Police Fund / Fines & Forfeitures	Police Fund / Intergovernmental
2013	Intergovernmental receipts	14,064	Gas Tax Fund / Intergovernmental	Motor Vehicle Tax Fund / Intergovernmental and General Fund / Intergovernmental
2013	CAT Tax Receipts	818	General Fund / Intergovernmental	General Fund / Licenses, Permits & Fees
2013	CAT Tax Receipts	1,045	Road & Bridge Fund / Intergovernmental	General Fund / Licenses, Permits & Fees
2013	CAT Tax Receipts	2,412	Police Fund / Intergovernmental	General Fund / Licenses, Permits & Fees

**FINDING NUMBER 2013-001
 (Continued)**

2013	Cell Tower Rental	37,166	General Fund / Other Revenue	General Fund / Charges for Services
2013	Franchise Fees	93,630	General Fund / Licenses, Permits & Fees	General Fund / Charges for Services
2013	EMS Billings	373,609	Medical Services Fund / Charges for Services	Medical Services Fund / Licenses, Permits and Fees
2013	LOEB Grant	14,253	Police Fund / Other Revenue	Police Fund / Charges for Services
2013	LOEB Grant	13,250	Fire Fund / Other Revenue	Fire Fund / Charges for Services
2013	Reimbursement/Refunds IRS, BWC and OPERS	14,955	Road & Bridge Fund / Other Revenue	General Fund / Other Revenue
2013	Reimbursement/Refunds IRS, BWC and OPERS	33,366	Police Fund / Other Revenue	General Fund / Other Revenue
2013	Reimbursement/Refunds IRS, BWC and OPERS	49,664	Fire Fund / Other revenue	General Fund / Other Revenue
2013	GASB 54 - Negative Fund Balance Debt Service	2,373,680	Debt Service Fund / Unassigned	Debt Service Fund / Restricted
2013	GASB 54 - Negative Fund Balance Road & Bridge Fund	312,686	Road & Bridge Fund / Unassigned	Road & Bridge Fund / Restricted
2013	Impact Fees	10,027	Park Impact Fund / Other Financing Uses	Park Impact Fund / Conservation/Recreation
2013	Impact Fees	348,873	Road & Bridge Impact Fund / Other Financing Uses	Road & Bridge Impact Fund / Public Works
2013	Impact Fees	15,858	Police Impact Fund / Other Financing Uses	Police Impact Fund / Public Safety
2013	Impact Fees	54,548	Fire Impact Fund / Other Financing Uses	74)e Impact Fund / Public Safety

These adjustments were posted to the accompanying financial statements.

Failure to completely and accurately post transactions resulted in inaccurate financial statements, reduced the Board's ability to monitor financial activity and make informed financial decisions, and increased the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend that the Township review the Township Handbook to determine the accurate receipt and disbursement classifications.

Officials' Response:

The installation of the UAN system on January 1st, 2014 now gives the Township an accounting system that enables it to comply with the operating standards set forth in 117-2-02 (A). The Financial Coordinator has been fully trained on the system and the Human Resources Manager is fully trained on the personnel/payroll aspects and is being further trained as a back up on the entire system. The new Fiscal Officer will attend training as it is available.

The new Fiscal Officer was appointed on April 2, 2014. The prior Fiscal Officer was in office for the entire period of this four year audit and performed essentially all of the financial, accounting, and payroll transactions without the assistance or involvement of any Township personnel.

UAN customer support is used as needed and the Township maintains a relationship with an outside CPA firm with expertise on the UAN system. The CPA firm also monitors the Townships' application of the Township Handbook's transaction classifications.

**FINDING NUMBER 2013-001
 (Continued)**

The Fiscal Officer, Township Administrator, and the Department Heads all review accounting transactions now on essentially a daily basis.

FINDING NUMBER 2013-002

Noncompliance Citation

Ohio Rev. Code, § 5705.41(B), prohibits a subdivision from making expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations:

Fund	Appropriations	Expenditures + Outstanding Encumbrances	Variance
2013			
Fire District Fund	-	\$ 19,201	(\$ 19,201)
Park Impact Fees Fund	-	10,027	(10,027)
Police District Impact Fees Fund	-	15,858	(15,858)
Road and Bridge Impact Fees Fund	-	348,873	(348,873)
Fire District Impact Fees Fund	-	54,548	(54,548)
Law Enforcement Trust Fund	-	6,302	(6,302)
2012			
New Building Bond Retirement Fund	\$ 249,000	\$ 250,625	(\$ 1,625)
2011			
EMS Fund	-	\$ 62	(\$ 62)
New Building Bond Retirement Fund	\$ 305,000	1,993,918	(1,688,918)
2010			
Tax Increment Financing Fund	\$ 880,913	\$2,288,706	(\$ 1,407,793)
General Fund	1,761,947	1,912,814	(150,867)

Failure of the Township to monitor its budgetary position could result in overspending and negative fund balances.

The management of the Township should monitor the Township's budgetary receipts and expenditures by having the fiscal officer provide budgetary reports monthly. By regularly monitoring its budgetary position throughout the year, the Township will be better able to determine when amendments need to be made to original budgeted amounts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Township.

Officials' Response:

The Fiscal Officer and Financial Coordinator now prepare monthly budgetary reports per the signature page feature in the UAN system. The Trustees, Fiscal Officer, Administrator, and Department Heads all sign the signature page indicating their receipt and review of the budgetary reports. The signature pages and reports are maintained on file in the Fiscal Officer's office.

FINDING NUMBER 2013-003

Noncompliance Citation

Ohio Rev. Code, § 5705.41(D)(1), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 Trustees.

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 availability of funds was not certified prior to the time of commitment in 67% (44 of 66) of expenditures tested nor did the Township use the aforementioned exceptions. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2013-003
(Continued)**

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is 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 that the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

The Township is now in total compliance with 5705.41(D)(1). Blanket Certificates and Super Blanket Certificates are being issued and are subject to the rigors of the UAN system built in controls. "Then and Now" Certificates have also been used but it is the Fiscal Officer's objective to eliminate this practice as the Township Management gains more experience with the new system and individual budget line items. The Fiscal Officer is now certifying that funds are available prior to the issuance of any purchase order certificate or execution of any contract. The Fiscal Officer is now physically signing off on all certificates, contracts, and checks. As part of improved financial controls, the Township Trustees now review all PO's over \$5000.00 before the PO is approved.

FINDING NUMBER 2013-004

Noncompliance Citation/Material Weakness

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

The estimated receipts entered into the accounting system by the Township and subsequently reported in the financial statements did not agree with estimated receipts certified by the budget commission on the latest amended certificate. Estimated receipts certified by the budget commission varied from those posted by material amounts as follows:

**FINDING NUMBER 2013-004
(Continued)**

Fund Type	Estimated Receipts Certified by the Budget Commission	Estimated Receipts Posted in the Accounting System	Variance
2013			
General Fund	\$ 1,605,300	\$ 35,000	\$(1,570,300)
Special Revenue Funds	8,425,463	113,610	(8,311,853)
Debt Service Funds	34,552	-	(34,552)
Capital Projects Fund	500,450	-	(500,450)
2012			
General Fund	1,133,019	2,107,762	947,743
Special Revenue Funds	9,780,323	10,028,450	248,127
Debt Service Funds	249,000	230,000	(19,000)
Capital Projects Fund	76,311	-	(76,311)
2011			
General Fund	1,908,177	-	(1,908,177)
Special Revenue Funds	9,651,968	-	(9,651,968)
2010			
General Fund	1,713,021	-	(1,713,021)
Special Revenue Funds	8,060,546	-	(8,060,546)
Debt Service Funds	251,691	-	(251,691)

Failure to post the estimated receipts certified by the budget commission into the accounting system resulted in Township officials relying on inaccurate information. The Township officials should verify that the estimated receipts from the most current amended certificate are entered into the accounting system.

Appropriations posted to the accounting system and subsequently reported in the financial statements did not agree with appropriations made by the Board in the following funds:

Fund Type	Appropriations Adopted or Filed	Appropriations Posted in the Accounting System	Variance
2013			
General Fund	\$2,131,642	\$ 2,568,460	\$ 436,818
Special Revenue Funds	18,148,275	18,066,109	(82,166)
Capital Projects Fund	500,450	-	(500,450)
2012			
General Fund	2,734,466	2,375,231	(359,235)
Special Revenue Funds	18,793,455	17,840,494	(952,961)
Debt Service Funds	312,427	301,608	(10,819)
Capital Projects Fund	76,311	-	(76,311)
2011			
General Fund	1,933,057	3,886,121	1,953,064
Special Revenue Funds	18,396,640	17,316,721	(1,079,919)
Debt Service Funds	368,426	5,503,556	5,135,130
2010			
General Fund	1,761,947	2,008,535	246,588
Special Revenue Funds	13,707,244	15,479,418	1,772,174
Debt Service Funds	536,110	216,744	(319,366)

**FINDING NUMBER 2013-004
(Continued)**

Failure to post the appropriations that have been approved by the Board of Trustees increases the risk that funds could be overspent.

We recommend that appropriations adopted by the Board be recorded in the minute record and posted in the accounting system.

Officials' Response:

The estimated receipts from the most current amended certificate have been entered into the UAN system. Appropriations for 2014 that are entered in the UAN system have been adopted by the board and are reflected in the minutes. Further, all Amendments to the Permanent Appropriations are approved by Resolution of the Board of Trustees and then forwarded to the Warren County Auditor for certification.

FINDING NUMBER 2013-005

Noncompliance Citation

Ohio Rev. Code, § 5705.36(A), provides in part that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**FINDING NUMBER 2013-005
(Continued)**

Actual receipts were less than estimated receipts and the deficiency reduced available resources below the level of current appropriations in the following funds:

Fund	Available Resources (Beginning Fund Balance Plus Actual Receipts)	Appropriations	Variance
2013			
General Fund	\$ 1,534,480	\$ 2,131,642	(\$ 597,162)
Cemetery Fund	27,536	45,000	(17,464)
Lighting Assessment	433,962	540,437	(106,475)
Drug Law Enforcement Fund	145,897	169,297	(23,400)
Permissive License Tax Fund	202,486	244,968	(42,482)
Trust Fund	69,598	259,998	(190,400)
2012			
New Building Bond Retirement Fund	(\$1,855,878)	\$ 249,000	(\$2,104,878)
Gas Tax Fund	400,528	479,057	(78,529)
Road and Bridge Fund	623,192	1,110,961	(487,769)
Cemetery Fund	27,777	36,912	(9,135)
Fire-EMS Fund	5,035,262	5,997,832	(962,570)
Lighting Assessment Fund	451,395	505,109	(53,714)
Drug Law Enforcement Fund	170,858	192,683	(21,825)
Park Impact Fees	557,049	629,313	(72,264)
Motor Vehicle Levy Fund	30,142	39,506	(9,364)
2011			
Motor Vehicle License Tax Fund	\$ 42,140	\$ 204,221	(\$ 162,081)
Gas Tax Fund	436,437	478,635	(42,198)
Road and Bridge Fund	886,035	1,659,393	(773,358)
Cemetery Fund	32,162	36,480	(4,318)
Lighting Assessment Fund	403,058	450,968	(47,910)
Permissive License Tax Fund	385,798	401,774	(15,976)
Park Impact Fees Fund	521,293	548,923	(27,630)
Trust Fund	69,598	113,025	(43,427)
2010			
Motor Vehicle License Tax Fund	\$ 66,118	\$ 91,034	(\$ 24,916)
Gas Tax Fund	345,817	421,335	(75,518)
Cemetery Fund	27,568	39,378	(11,810)
Lighting Assessment Fund	405,259	453,488	(48,229)
Permissive License Tax	233,616	263,823	(30,207)
New Building Bond Retirement Fund	(1,450,355)	287,743	(1,738,098)
Bond – New Administration Building Fund	(238,764)	248,367	(487,131)

Overestimating receipts could result in spending more funds than received. When it is determined receipts are going to be less than originally estimated, the Township should obtain an amended certificate and reduce appropriations if necessary.

**FINDING NUMBER 2013-005
 (Continued)**

Officials' Response:

The Fiscal Officer and Township Management are watching the collection level of receipts carefully to determine the impact on the budgeted appropriations coverage. Through April of 2014 receipts are running slightly ahead of estimations. Further, all Amendments to the Permanent Appropriations are approved by Resolution of the Board of Trustees and then forwarded to the Warren County Auditor for certification.

FINDING NUMBER 2013-006

Noncompliance Citation

Ohio Rev. Code, § 5705.39, states in part, the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission. No appropriation measure shall become effective until the County Auditor files with the appropriation authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total amounts certified by the budget commission.

Appropriations exceed the final estimated resources in the following funds:

Fund	Estimated Resources	Appropriations	Variance
2013			
General Fund	\$ 1,795,068	\$2,131,642	(\$336,574)
Motor Vehicle License Tax Fund	49,598	73,973	(24,375)
Gas Tax Fund	369,576	429,696	(60,123)
Road And Bridge Fund	381,775	931,199	(549,424)
Cemetery Fund	44,553	45,000	(447)
Fire-EMS Fund	5,272,494	7,432,135	(2,159,641)
Permissive License Tax Fund	212,508	244,968	(32,460)
Fastcop Fund	577	6,398	(5,821)
New Building Bond Retirement Fund	(2,071,951)	450,000	(2,521,951)
Bond- New Admin Building Fund	(238,764)	-	(238,764)
2012			
General Fund	\$ 1,320,691	\$2,734,466	(\$1,413,775)
Motor Vehicle License Tax Fund	30,613	39,506	(8,893)
Gas Tax Fund	431,530	479,057	(47,527)
Road And Bridge Fund	667,672	1,110,961	(443,289)
Fire-EMS Fund	5,493,331	5,997,832	(504,501)
Permissive License Tax Fund	352,261	374,615	(22,354)
New Building Bond Retirement Fund	(1,606,878)	249,000	(1,855,878)
Bond- New Admin Building Fund	(238,764)	-	(302,191)

**FINDING NUMBER 2013-006
 (Continued)**

2011			
Motor Vehicle License Tax Fund	\$ 193,585	\$ 204,221	(\$10,636)
Gas Tax Fund	454,490	478,635	(24,145)
Road And Bridge Fund	1,170,129	1,659,393	(489,264)
Fire-EMS Fund	4,375,885	6,305,100	(1, 929,215)
Permissive License Tax Fund	391,667	401,774	(10,107)
Park Impact Fees Fund	539,937	548,923	(8,986)
New Building Bond Retirement Fund	(1,665,510)	305,000	(1,971,510)
Bond- New Admin Building Fund	(238,764)	63,426	(302,191)
2010			
Road And Bridge Fund	\$ 881,029	\$1,393,876	(\$ 512,847)
EMS Fund	52,705	396,029	(343,324)
Fire - EMS Fund	4,037,277	4,961,693	(924,416)
New Building Bond Retirement Fund	(1,386,928)	287,743	(1,674,671)
Bond- New Admin Building Fund	(50,550)	248,367	(298,867)

Failure to monitor appropriations and estimated resources could result in overspending and negative cash balances. The Board of Trustees should monitor the budgetary position of the Township throughout the year to determine when appropriation amendments are needed.

Officials' Response:

The Trustees are now monitoring the budgetary position of the Township as they are receiving monthly budgetary reports from the Fiscal Officer per the UAN signature page reporting structure. As we stand currently in 2014 we do have a few funds where appropriations are greater than the estimated resources. This is due to the fact that Township Management and the Department Heads are seeing numbers and budgets for the first time ever and are still getting a handle on resources, appropriations and level of service commitments to the community.

FINDING NUMBER 2013-007

Noncompliance Citation

Ohio Rev. Code, §5705.10, provides that money paid into any fund shall be used only for purposes for which such fund is established.

**FINDING NUMBER 2013-007
 (Continued)**

As of fiscal year end, the Township had deficit cash balances in the following funds:

Fiscal Year End	Fund	Deficit Cash Fund Balance
2013	Motor Vehicle Levy Fund	(\$ 7,600)
2013	Road and Bridge Fund	(312,686)
2013	New Building Bond Retirement Fund	(2,134,916)
2013	Bond – New Admin Building Fund	(238,764)
2012	Road and Bridge Fund	(373,574)
2012	Cemetery Fund	(447)
2012	New Building Bond Retirement Fund	(2,106,503)
2012	Bond – New Administration Building Fund	(238,764)
2011	Motor Vehicle Levy Fund	(2,137)
2011	Road and Bridge Fund	(159,728)
2011	New Building Bond Retirement Fund	(1,855,878)
2011	Bond – New Admin Building Fund	(238,764)
2010	New Building Bond Retirement Fund	(1,666,510)
2010	Bond – New Admin Building Fund	(238,764)

A deficit cash balance indicates money from another fund has been used to pay the obligations of the aforementioned funds. Failure to monitor appropriations and estimated resources resulted in overspending and negative cash balances. The Board of Trustees should monitor the budgetary position and fund balances of the Township throughout the year.

Officials' Response:

The Trustees are now monitoring the budgetary position of the Township as they are receiving monthly budgetary reports from the Fiscal Officer per the UAN signature page reporting structure. This policy is fully implemented and will carry on throughout the year.

FINDING NUMBER 2013-008

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 9.38 requires a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

During the audit period the Township accumulated cash receipts over various periods of time, with actual deposits that were made once or twice a month.

The Township did not have controls in place to ensure the deposits were made timely. The Township did not have a policy to extend the requirement beyond 24 hours. Failure to promptly deposit cash receipts increases the risk of fraud and reconciling discrepancies.

**FINDING NUMBER 2013-008
(Continued)**

The Township should develop and implement controls to ensure that all revenue collected by the Township is deposited to the Fiscal Officer or designated depository within the required 24 hours

Officials' Response:

The current controls in place require the involvement of three Township employees to separately receive, record, and post all receipts. The Fiscal Officer then checks those receipts against the bank deposit slips. The Township Trustees have also implemented a policy which requires the Finance Coordinator to make deposits within three (3) days and then post the transaction within one (1) business day.

FINDING NUMBER 2013-009

Noncompliance Citation/Material Weakness

Ohio Admin. Code § 117-2-01 states:

- (A) All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.
- (B) "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (1) Reliability of financial reporting;
 - (2) Effectiveness and efficiency of operations;
 - (3) Compliance with applicable laws and regulations; and
 - (4) Safeguarding of assets.

Ohio Admin. Code § 117-2-02 requires:

- (A) All local public offices shall 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule [117-2-03](#) of the Administrative Code.

The following issues related to the payroll processing, which was the responsibility of the Fiscal Officer, were noted:

- The Fiscal Officer did not accurately calculate Social Security FICA withholdings for non-pension employees in 2011. The federal government reduced the required FICA withholding to 4.2% for 2011 and 2012, however the Fiscal Officer continued to withhold FICA from employees, at the higher 6.2% for 2011. The Township reduced the FICA withholding to 4.2% for 2012, but did not increase the withholding amount back to 6.2% for 2013. As a result, amounts withheld from employees did not agree to amounts paid to the IRS for withholdings. The Fiscal Officer then made additional errors in trying to correct the errors in withholdings.

FINDING NUMBER 2013-009
(Continued)

- The Fiscal Officer wrote checks to reimburse the affected employees; however, taxes were withheld from this reimbursement in error.
- One employee received a reimbursement for over payment of FICA; however, this employee did not have FICA withheld.
- The Fiscal Officer withheld amounts from a part-time employee for Ohio Police & Fire (OP&F); however, this part time employee was not eligible for membership in OP&F, and was not included in the OP&F reporting. The employee was switched to FICA on February 19, 2012. This employee did not receive credit for payments into FICA for time employed by the Township. Also, the Township did not issue corrected 2010 and 2011 W-2s.
- The Fiscal Officer did not accurately calculate employee's withholding amounts for OPERS-Law Enforcement, resulting in insufficient withholdings from the employee's paychecks.
- The Fiscal Officer reported inaccurate employee time and contributions, resulting in refunding of contributions in error from OPERS.
- The Fiscal Officer reported incorrect amounts on employee's W-2s; voided check amounts were added to total gross wages reported on employee's W-2s.
- The Fiscal Officer paid two trustees incorrect amounts. One trustee was overpaid by \$10 each month; however, this trustee was underpaid by one month, resulting in a net underpayment of salary. Another trustee had too much FICA withheld one year, and too little in the subsequent year, resulting in net underpayment of salary for the audit period.
- During the audit period, the Township paid \$8,302 in penalties and interest to OPERS. The Fiscal officer reimbursed the Township \$4,631 to cover penalties and late fees from January 1, 2012 to November 7, 2013.
- The Township incurred penalties and interest from the IRS in the amount of \$10,592, because 941's were not submitted timely. The Fiscal Officer did not submit form 941's for the last 2 quarters of 2013.
- In 2013, the Fiscal Officer did not make monthly payments to Allstate for employee insurance benefits, which could result in cancellation of the policies.
- The Fiscal Officer paid incorrect amounts into Ohio Deferred Compensation. Deferred Compensation amounts paid into the Fiscal Officer's account during 2011, 2012, and 2013 were greater than the amounts withheld from the Fiscal Officer's total payroll. We proposed a finding for recovery for the overpayment. (See finding 2013-011)

The Township did not have a proper system of internal controls which should include knowledge of required records and applicable laws, adequate segregation of duties, and monitoring. The risk of misappropriation of assets, fraud, or abuse without detection is increased when internal controls have not been implemented. Due to inconsistencies and errors made in payroll payments and withholdings, amounts submitted to the retirement systems and IRS may be incorrect.

**FINDING NUMBER 2013-009
(Continued)**

To strengthen controls, we recommend the following:

- The Township perform a reconciliation between employee amounts withheld and amounts remitted to the IRS, retirement systems, and any other benefit providers .
- The Township review employees W-2s to actual payroll payments to employees. If errors are found, the Township should contact the IRS to correct the W-2 amounts.
- The Township should contact OPERS and OP&F to verify that correct employee credit, employee and employer shares have been paid.

The Township should review the Township's handbook and Ohio Compliance Supplement to identify required records, determine officials' responsibilities, and help correct the problems with the financial record keeping and compliance requirements of the Township.

Officials' Response:

The Township has engaged an outside CPA firm that specializes in identifying and fixing issues arising out of payroll processing mistakes like those listed in this finding. His recommended corrective actions, both in fixing the past mistakes to correct the accounting ledger and putting in place future safeguards, should be complete shortly. The Fiscal Officer has also suggested the Township investigate outsourcing the payroll function to a payroll service.

FINDING NUMBER 2013-010

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-01 states:

- (A) All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.
- (B) "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (1) Reliability of financial reporting;
 - (2) Effectiveness and efficiency of operations;
 - (3) Compliance with applicable laws and regulations; and
 - (4) Safeguarding of assets.

The Township did not implement adequate separation of duties related to the deposit of receipts, posting of transactions, and reconciliation of Township accounts. The Fiscal Officer was solely responsible for: recording transactions into the Township's accounting system, making deposits of monies received to the bank, and reconciling the Township's accounting system to the Bank. There was no segregation of duties over the finance function of the Township.

FINDING NUMBER 2013-010
(Continued)

- Monthly bank reconciliations were not performed timely, were not complete and contained errors. These reconciliations contained large adjustments to receipts and disbursements as reconciling items. The EMS-Fire Fund balance was understated by \$57,160, due to a voided check that was included on the Township's outstanding checklist in 2013. There was no documentation of a review of the bank reconciliations by the Board.
- The Board was not presented financial reports for review and they were not informed of financial standing of the Township resulting in lack of monitoring by the Board.
- The Fiscal Officer wrote receipts a few times per month, and deposits with the bank were made only once or twice a month.
- The Fiscal Officer made errors when posting transactions to the accounting system. These errors were corrected with numerous correcting entries, without any approval or review by Trustees. The Township contracted with a consultant to review their accounting transactions and reconcile them to the bank.
- The Township officials did not monitor or update the financial software application (OTAS). The financial accounting system was not integrated with the payroll system and did not contain the most current accounting procedures. Inadequate training led to posting errors.
- Vendor names were not input into the Township's accounting system in a consistent manner. Some vendors were reported as ten different versions of the same name, making it difficult to find payments to specific vendors.

The lack of segregation of duties increases the possibility that errors or irregularities could occur and not be discovered in a timely manner. Not establishing internal controls can lead to incomplete and inaccurate processing of receipt and disbursements transactions.

We recommend the Township develop internal control procedures that promote an adequate separation of duties for the finance function. Job duties should be separated between employees to strengthen controls, specifically separating the duties of depositing of receipts, posting of transactions, and reconciliation of Township accounts. These procedures should also promote effective management oversight to ensure the accounting system is providing complete, accurate, and timely information. We also recommend the Township develop formal, written policies and procedures over the receipt and disbursement processes. To improve controls over the finance function:

- Bank reconciliations should be performed monthly and reviewed and approved by the Board. This review should be documented in the minutes.
- Monthly financial reports should be presented to the Board detailing the receipts, expenditures, fund balances and budgetary activity.
- Correcting adjustments made to the Township's accounting system should be reviewed and approved by the Board and documented in the minutes.
- Financial system software updates should be implemented and reviewed by officials. Township officials should provide proper training to employees to enable staff to understand the accounting system.

**FINDING NUMBER 2013-010
 (Continued)**

Officials' Response:

Internal controls promoting separation of duties have been instituted and the Township is looking forward to those controls being reviewed by the Local Government Services arm of the Ohio State Auditor office as a part of the fiscal emergency exercises and remedies.

Monthly bank reconciliations are now up to date and are being reported to the Trustees as a part of their monthly budgetary reporting review.

Correcting adjustments to the Township's accounting system are being approved by the Administrator and reviewed by the Fiscal Officer. A correcting adjustments report will be added to the reports given to the Trustees monthly. Financial system software updates and the associated employee training requirements will be reported to the Trustees for their review.

FINDING NUMBER 2013-011

Finding for Recovery Repaid Under Audit/Noncompliance

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005, *Expenditure of Public Funds/Proper Public Purpose*, indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Ohio Rev. Code, § 507.09, provides in part the allowed compensation of the Township Fiscal Officer. In addition to the maximum compensation permitted by this section of code, Jacqueline Terwilleger, Fiscal Officer, also received credits to her Ohio Deferred Compensation account that were in excess of the amounts withheld from her Township pay checks. This resulted in excess compensation to Ms. Terwilleger totaling \$6,834.

<u>Year</u>	<u>Amount Withheld from Ms. Terwilleger's Pay Checks</u>	<u>Amount Remitted to Ohio Deferred Compensation for credit to Ms. Terwilleger's Account</u>	<u>Amount of Excess Compensation</u>
2011	\$4,311	\$5,047	(\$736)
2012	2,313	5,467	(3,154)
2013	2,523	5,467	(2,944)
Total	<u>\$9,147</u>	<u>\$15,981</u>	<u>(\$6,834)</u>

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Jacqueline Terwilleger in the amount of \$6,834, and in favor of Hamilton Township's General Fund.

Ms. Terwilleger repaid the Township \$6,834 while under audit.

We recommend that the Township reconcile and review the amounts withheld from employee pay checks to amounts being remitted to the appropriate agency on the employee's behalf.

**FINDING NUMBER 2013-011
(Continued)**

Officials' Response:

Without limiting other potential financial recoveries against the former Fiscal Officer, the current Township officials agree with this specific Finding for Recovery and anticipate a repayment of the finding amount to be made by or on behalf of Ms. Terwilleger.

FINDING NUMBER 2013-012

Material Weakness

Accurate, timely accounting and reconciliation procedures are key components of an effective accounting system and internal controls required to enable the Emergency Medical Services (EMS) to properly classify transactions, maintain accountability for funds, distribute funds accurately and detect fraud and errors in a timely manner. The Township contracts with Med 3000 to provide billing services for EMS.

We noted the following control deficiencies related to EMS receipts:

- The Township did not perform a reconciliation of the EMS receipts directly deposited in the Township lock box account and the Monthly Deposits Posted Report from the third party billing service.
- The Township did not post EMS receipts timely or to the accurate account code. EMS receipts were deposited into the Township's checking account several times a month; however, receipts were posted to the Township's accounting system once or twice a year.
- A reconciliation of run reports uploaded by the emergency medical service Electronic Patient Care Report (EPCR) system server was not reconciled to the run reports from the third party billing service.

Without complete and timely reconciliation of EMS provided information to the information entered and processed for billing, unbilled services, and billing, undetected errors could occur. To reduce the risk of undetected errors we recommend the following procedures:

- The Fire Chief should verify that all runs have been completely and accurately uploaded into the EPCR servicer and have been processed for billing by matching the run reports from the EPCR system to the MED 3000 monthly run reports.
- The Township should reconcile the direct deposit amounts in the Lockbox Account to the monthly receipts from the Monthly Deposits Posted Report received from Med 3000. Any noted variances should be investigated.
- The Township should post EMS receipts to the Township's accounting system when they are received.

These procedures will help assure all EMS runs have been uploaded completely and accurately to the third party billing service for processing, and that all receipts collected from billings are recorded.

**FINDING NUMBER 2013-012
(Continued)**

Officials' Response:

All receipts, postings, and reconciliations of the MED 3000 account are underway. The reconciliation is completed when the information detailing the deposit of receipts arrives in the monthly bank statement.

**HAMILTON TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013, 2012, 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	Failure to properly post transactions	No	Reissued as finding 2013-001
2009-002	Failure to investigate and post bank reconciliation corrections	Partially Corrected	Reissued as finding 2013-010
2009-003	Negative Fund Balances	No	Reissued as finding 2013-007
2009-004	Failure to obtain prior certification of expenditures	No	Reissued as finding 2013-003
2009-005	Expenditures exceeded appropriations	No	Reissued as finding 2013-002
2009-006	Appropriations exceeded total estimated resources	No	Reissued as finding 2013-006
2009-007	Appropriations exceed available resources	No	Reissued as finding 2013-005
2009-008	Failure to deposit timely	No	Reissued as finding 2013-008

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Dave Yost • Auditor of State

HAMILTON TOWNSHIP

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 15, 2014**