

***HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2012 & 2011***







# Dave Yost • Auditor of State

Board of Township Trustees  
Hamilton Township  
2909 State Route 279  
Oak Hill, Ohio 45656

We have reviewed the *Report of Independent Accountants* of Hamilton Township, Jackson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Hamilton Township is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

September 17, 2013

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**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2012 and 2011**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT

Hamilton Township  
Jackson County  
2909 State Route 279  
Oak Hill, Ohio 45656

To the Board of Trustees:

***Report on the Financial Statements***

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

***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinions.

***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, 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, 2012 and 2011, or changes in financial position 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, Jackson County, as of December 31, 2012 and 2011, 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 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 8 to the financial statements, in 2011 the Township adopted 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2013, 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.



***Charles E. Harris & Associates, Inc.***

June 12, 2013

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

|   | Governmental<br>Fund Types |                    |               | Totals<br>(Memorandum<br>Only) |
|---|----------------------------|--------------------|---------------|--------------------------------|
|   | General                    | Special<br>Revenue | Permanent     |                                |
| <b>Receipts:</b>                                |                            |                    |               |                                |
| Property and Other Local Taxes                  | \$ 15,571                  | \$ 69,872          | \$ -          | \$ 85,443                      |
| Intergovernmental                               | 15,406                     | 122,196            | -             | 137,602                        |
| <b>Total Receipts</b>                           | <u>30,977</u>              | <u>192,068</u>     | <u>-</u>      | <u>223,045</u>                 |
| <b>Disbursements:</b>                           |                            |                    |               |                                |
| <b>Current:</b>                                 |                            |                    |               |                                |
| General Government                              | 24,276                     | 2,432              | -             | 26,708                         |
| Public Safety                                   | -                          | 22,195             | -             | 22,195                         |
| Public Works                                    | -                          | 141,442            | -             | 141,442                        |
| Public Health Services                          | 3,810                      | 14,032             | -             | 17,842                         |
| Other   | -                          | 498                | -             | 498                            |
| <b>Total Disbursements</b>                      | <u>28,086</u>              | <u>180,599</u>     | <u>-</u>      | <u>208,685</u>                 |
| <b>Total Receipts Over(Under) Disbursements</b> | 2,891                      | 11,469             | -             | 14,360                         |
| <b>Fund Cash Balance, January 1, 2012</b>       | <u>43,489</u>              | <u>72,904</u>      | <u>100</u>    | <u>116,493</u>                 |
| <b>Fund Cash Balance:</b>                       |                            |                    |               |                                |
| Restricted                                      | -                          | 84,373             | 100           | 84,473                         |
| Unassigned                                      | 46,380                     | -                  | -             | 46,380                         |
| <b>Fund Cash Balance, December 31, 2012</b>     | <u>\$ 46,380</u>           | <u>\$ 84,373</u>   | <u>\$ 100</u> | <u>\$ 130,853</u>              |

See accompanying Notes to the Financial Statements.

HAMILTON TOWNSHIP  
 JACKSON COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN FUND CASH BALANCES -  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2011

|   | Governmental<br>Fund Types |                    |               | Totals<br>(Memorandum<br>Only) |
|---|----------------------------|--------------------|---------------|--------------------------------|
|   | General                    | Special<br>Revenue | Permanent     |                                |
| <b>Receipts:</b>                                |                            |                    |               |                                |
| Property and Other Local Taxes                  | \$ 18,314                  | \$ 70,762          | \$ -          | \$ 89,076                      |
| Intergovernmental                               | 13,945                     | 89,695             | -             | 103,640                        |
| Miscellaneous                                   | 643                        | -                  | -             | 643                            |
| <b>Total Receipts</b>                           | <b>32,902</b>              | <b>160,457</b>     | <b>-</b>      | <b>193,359</b>                 |
| <b>Disbursements:</b>                           |                            |                    |               |                                |
| <b>Current:</b>                                 |                            |                    |               |                                |
| General Government                              | 25,017                     | 3,749              | -             | 28,766                         |
| Public Safety                                   | -                          | 12,338             | -             | 12,338                         |
| Public Works                                    | -                          | 178,018            | -             | 178,018                        |
| Public Health Services                          | 3,300                      | -                  | -             | 3,300                          |
| Other   | -                          | 460                | -             | 460                            |
| Capital Outlay                                  | -                          | 8,000              | -             | 8,000                          |
| <b>Total Disbursements</b>                      | <b>28,317</b>              | <b>202,565</b>     | <b>-</b>      | <b>230,882</b>                 |
| <b>Total Receipts Over(Under) Disbursements</b> | <b>4,585</b>               | <b>(42,108)</b>    | <b>-</b>      | <b>(37,523)</b>                |
| <b>Fund Cash Balance, January 1, 2011</b>       | <b>38,904</b>              | <b>115,012</b>     | <b>100</b>    | <b>154,016</b>                 |
| <b>Fund Cash Balance:</b>                       |                            |                    |               |                                |
| Restricted                                      | -                          | 72,904             | 100           | 73,004                         |
| Unassigned                                      | 43,489                     | -                  | -             | 43,489                         |
| <b>Fund Cash Balance, December 31, 2011</b>     | <b>\$ 43,489</b>           | <b>\$ 72,904</b>   | <b>\$ 100</b> | <b>\$ 116,493</b>              |

See accompanying Notes to the Financial Statements.

**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Hamilton Township, Jackson County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees. The Township provides road and bridge maintenance and fire protection services.

The Township's management believes the financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue funds:

- Gasoline Tax Fund-Receives gasoline excise taxes to pay for constructing, maintaining and repairing Township roads.
- Road and Bridge Fund-Receives property taxes for constructing, maintaining and repairing Township roads and bridges.
- Fire District Fund-Receives taxes levied to provide fire protection to the Township.

Permanent Fund: This fund is used to account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. the Township has the following significant Permanent Fund:

- Cemetery Bequest Fund- Receives money to pay for the upkeep of the Township cemetery.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Fiscal Officer by September 1.

**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

1. Estimated Resources - (Continued)

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2011 and 2012. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbrances outstanding at year end are cancelled and re-appropriated in the subsequent year.

**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Board must observe constraints imposed upon the use of its governmental-fund resources.

1. Nonspendable- The Board 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- The Board can commit amounts via formal action (resolution). The Board must adhere to these commitments unless the Board amends 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 restrict 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 the Board.
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 Board 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

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

|                 |                  |                  |
|-----------------|------------------|------------------|
|                 | <u>2012</u>      | <u>2011</u>      |
| Demand Deposits | <u>\$130,853</u> | <u>\$116,493</u> |

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

4. BUDGETARY ACTIVITY

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

| <u>Fund:</u>          | <u>2012 Budgeted vs Actual Receipts</u> |                            | <u>Variance</u> |
|-----------------------|---|----------------------------|-----------------|
|                       | <u>Budgeted<br/>Receipts</u>            | <u>Actual<br/>Receipts</u> |                 |
| General Fund          | \$ 31,048                               | \$30,977                   | \$(71)          |
| Special Revenue Funds | 213,301                                 | 192,068                    | (21,233)        |
| Permanent Fund        | -                                       | -                          | -               |

| <u>Fund:</u>          | <u>2012 Budgeted vs Actual Budgetary Basis Disbursements</u> |                                    | <u>Variance</u> |
|-----------------------|--|------------------------------------|-----------------|
|                       | <u>Appropriation<br/>Authority</u>                           | <u>Budgetary<br/>Disbursements</u> |                 |
| General Fund          | \$31,048   | \$28,086                           | \$2,962         |
| Special Revenue Funds | 213,301  | 180,599                            | 32,702          |
| Permanent Fund        | -  | -                                  | -               |

| <u>Fund:</u>          | <u>2011 Budgeted vs Actual Receipts</u> |                            | <u>Variance</u> |
|-----------------------|---|----------------------------|-----------------|
|                       | <u>Budgeted<br/>Receipts</u>            | <u>Actual<br/>Receipts</u> |                 |
| General Fund          | \$ 30,848                               | \$ 32,902                  | \$ 2,054        |
| Special Revenue Funds | 189,151                                 | 160,457                    | (28,694)        |
| Permanent Fund        | -                                       | -                          | -               |

| <u>Fund:</u>          | <u>2011 Budgeted vs Actual Budgetary Basis Disbursements</u> |                                    | <u>Variance</u> |
|-----------------------|--|------------------------------------|-----------------|
|                       | <u>Appropriation<br/>Authority</u>                           | <u>Budgetary<br/>Disbursements</u> |                 |
| General Fund          | \$ 30,848  | \$28,317                           | \$2,531         |
| Special Revenue Funds | 189,151  | 202,565                            | (13,414)        |
| Permanent Fund        | -  | -                                  | -               |

5. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS), a state operated, cost sharing, multiple employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The 2011 and 2012 member contribution rates were 10.0% of covered payroll for members in state and local classifications. The 2011 and 2012 employer contribution rate for state and local employers was 14.0% for covered payroll. The Township paid all required contributions through 2012.

**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

6. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011, (most recent information available):

|              | <u>2012</u>          | <u>2011</u>          |
|--------------|----------------------|----------------------|
| Assets       | \$ 34,771,270        | \$ 35,086,165        |
| Liabilities  | <u>(9,355,082)</u>   | <u>( 9,718,792)</u>  |
| Net Position | <u>\$ 25,416,188</u> | <u>\$ 25,367,373</u> |

**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

6. RISK MANAGEMENT – (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,159.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

| <u>2012</u> | <u>2011</u> |
|-------------|-------------|
| \$3,661     | \$3,620     |

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. DEBT

The Township had no debt outstanding at December 31, 2012.

8. CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes 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 implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. BUDGETARY NONCOMPLIANCE

Contrary to Ohio Revised Code Section 5705.41(B), the Township had expenditures plus encumbrances exceeding appropriations in various funds.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Hamilton Township  
Jackson County  
2909 State Route 279  
Oak Hill, Ohio 45656

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 Hamilton Township, Jackson County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 12, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

***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 opinions 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.

*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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Audit Findings as finding 2012-HAM-01.

***Entity's Response to Findings***

The Township's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings. We did not audit the Township's response and accordingly, we express no opinion on it.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 12, 2013.

***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.

*Charles E. Harris and Associates*

***Charles E. Harris and Associates, Inc.***

June 12, 2013

**HAMILTON TOWNSHIP  
JACKSON COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS  
For the Years Ended December 31, 2012 and 2011**

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

**Finding Number 2012-HAM-01 - Noncompliance Citation**

**Ohio Revised Code Section 5705.41 (B)** states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. The following funds had total expenditures plus encumbrances in excess of appropriations:

|  | <u>2011</u>           |   |                 |
|--|-----------------------|---|-----------------|
| <u>Fund</u>                                    | <u>Appropriations</u> | <u>Expenditures<br/>Plus<br/>Encumbrances</u> | <u>Variance</u> |
| Special Revenue-Gasoline Fund                  | \$105,151             | \$120,623                                     | \$(15,472)      |
| Special Revenue-Permissive Sales Tax Fund      | 55,000                | 59,748  | (4,748)         |
| Special Revenue-Motor Vehicle License Tax Fund | 9,000                 | 9,855   | (855)           |

We recommend the Board and the Fiscal Officer compare expenditures to appropriations periodically. If additional appropriations are needed, then the Board and the Fiscal Officer should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

Management Response:

We did not receive a substantive response from management to the above finding.

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# Dave Yost • Auditor of State

**HAMILTON TOWNSHIP**

**JACKSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 1, 2013**