



**MADISON TOWNSHIP  
RICHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



MADISON TOWNSHIP  
RICHLAND COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Madison Township  
Richland County  
843 Expressview Drive  
Mansfield, Ohio 44905

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As more fully discussed in Note 1 in the financial statements, the Township changed the classification of their Special Assessment Fund Type to a Capital Projects Fund Type effective January 1, 1998.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2000 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 grants.

This report is intended solely for the information and use of management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

October 13, 2000

MADISON TOWNSHIP

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Local Taxes	\$51,038	\$623,687	\$0		\$674,725
Special Assessments				\$27,910	27,910
Intergovernmental	112,312	394,738			507,050
Charges for Services		147,942			147,942
Licenses, Permits and Fees	7,058				7,058
Earnings on Investments	10,192	715			10,907
Miscellaneous	93,308	128,551			221,859
<b>Total Cash Receipts</b>	<b>273,908</b>	<b>1,295,633</b>	<b>0</b>	<b>27,910</b>	<b>1,597,451</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	121,614	4,536			126,150
Public Safety	4,940	702,975			707,915
Public Works		359,682		25,823	385,505
Health		37,346			37,346
Human Services		59,473			59,473
Miscellaneous		21,429			21,429
Capital Outlay		33,304			33,304
Debt Service:					
Redemption of Principal		147,000	187,408		334,408
Interest and Fiscal Charges		1,051	14,687		15,738
<b>Total Cash Disbursements</b>	<b>126,554</b>	<b>1,366,796</b>	<b>202,095</b>	<b>25,823</b>	<b>1,721,268</b>
Total Cash Receipts Over/(Under) Cash Disbursements	147,354	(71,163)	(202,095)	2,087	(123,817)
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds of Loans		271,843			271,843
Other Financing Sources	2,889	22,260			25,149
Other Financing Uses		(10)			(10)
Transfers-In	30,000	72,229	257,139		359,368
Transfers-Out	(70,000)	(289,368)			(359,368)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(37,111)</b>	<b>76,954</b>	<b>257,139</b>	<b>0</b>	<b>296,982</b>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	110,243	5,791	55,044	2,087	173,165
Fund Cash Balances, January 1	34,417	329,899	0	434	364,750
<b>Fund Cash Balances, December 31</b>	<b>\$144,660</b>	<b>\$335,690</b>	<b>\$55,044</b>	<b>\$2,521</b>	<b>\$537,915</b>
Reserves for Encumbrances, December 31	\$2,000	\$19,865	\$0	\$0	\$21,865

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

MADISON TOWNSHIP

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Local Taxes	\$56,646	\$597,253	\$0	\$0	\$653,899
Special Assessments				25,804	25,804
Intergovernmental	160,023	437,152			597,175
Charges for Services		29,154			29,154
Licenses, Permits and Fees	4,597				4,597
Earnings on Investments	5,362	1,132			6,494
Miscellaneous	45,529	149,124	46,327		240,980
<b>Total Cash Receipts</b>	<b>272,157</b>	<b>1,213,815</b>	<b>46,327</b>	<b>25,804</b>	<b>1,558,103</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	232,278	18,000			250,278
Public Safety		605,727			605,727
Public Works		411,469		25,619	437,088
Health		5,707			5,707
Miscellaneous		35,430			35,430
Capital Outlay		8,353			8,353
Debt Service:					
Redemption of Principal	21,148	68,091	39,357		128,596
Interest and Fiscal Charges	1,250	8,773	10,643		20,666
<b>Total Cash Disbursements</b>	<b>254,676</b>	<b>1,161,550</b>	<b>50,000</b>	<b>25,619</b>	<b>1,491,845</b>
Total Cash Receipts Over/(Under) Cash Disbursements	17,481	52,265	(3,673)	185	66,258
<b>Other Financing Receipts/(Disbursements):</b>					
Other Financing Sources	51,288				51,288
Other Financing Uses		(71,422)			(71,422)
Transfers-In		100,000	3,654		103,654
Transfers-Out	(100,000)	(3,654)			(103,654)
Advances-In	134,000	300,000			434,000
Advances-Out	(134,000)	(300,000)			(434,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(48,712)</b>	<b>24,924</b>	<b>3,654</b>	<b>0</b>	<b>(20,134)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(31,231)	77,189	(19)	185	46,124
Fund Cash Balances, January 1	65,648	252,710	19	249	318,626
<b>Fund Cash Balances, December 31</b>	<b>\$34,417</b>	<b>\$329,899</b>	<b>\$0</b>	<b>\$434</b>	<b>\$364,750</b>
Reserves for Encumbrances, December 31	\$0	\$11,953	\$0	\$0	\$11,953

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



**MADISON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Madison Township, Richland County, Ohio, (the Township) is a body corporate and politic established to exercise 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 general governmental services, including road maintenance and fire protection services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and cash 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).

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

**C. Cash and Investments**

Investments are included in the cash fund balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

The investment in STAR Ohio (the State of Ohio Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

Road and Bridge Fund - This fund receives tax levy money for constructing, maintaining and repairing Township roads.

Fire District Fund - This fund receives tax levy money for providing fire protection to the Township.

**MADISON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Permissive Motor Vehicle License Tax Fund - This fund is used to account for tax revenues received and used to pay for road resurfacing.

**3. Debt Service Fund**

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Note Retirement Fund - This fund is used to accumulate resources for the payment of principal and interest on the Township's debt issues.

**4. Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

Lighting Assessment Fund - This fund is used to account for the cost of lighting improvements that will be paid by the benefitting property owners.

It should be noted that prior to 1998, the Township had accounted for this activity in a Special Assessment Fund.

**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.

**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 reappropriated.

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances (Continued)

During 1999 and 1998, the Township did not encumber all commitments as required by Ohio Law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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>1999</u>	<u>1998</u>
Demand deposits	\$260,993	\$343,846
Investments (STAR Ohio)	<u>276,922</u>	<u>20,904</u>
Total deposits and investments	<u><u>\$537,915</u></u>	<u><u>\$364,750</u></u>

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**MADISON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 224,400	\$ 306,797	\$ 82,397
Special Revenue	1,291,800	1,661,965	370,165
Debt Service	79,700	257,139	177,439
Capital Projects	31,200	27,910	(3,290)
Total	\$ 1,627,100	\$ 2,253,811	\$ 626,711

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 267,452	\$ 198,554	\$ 68,898
Special Revenue	1,242,923	1,676,039	(433,116)
Debt Service	79,700	202,095	(122,395)
Capital Projects	31,633	25,823	5,810
Total	\$ 1,621,708	\$ 2,102,511	\$ (480,803)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 203,100	\$ 323,445	\$ 120,345
Special Revenue	1,019,522	1,313,815	294,293
Debt Service	46,500	49,981	3,481
Capital Projects	29,100	25,804	(3,296)
Total	\$ 1,298,222	\$ 1,713,045	\$ 414,823

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 294,475	\$ 354,676	\$ (60,201)
Special Revenue	1,043,377	1,248,579	(205,202)
Debt Service	4,000	50,000	(46,000)
Capital Projects	29,000	25,619	3,381
Total	\$ 1,370,852	\$ 1,678,874	\$ (308,022)

**MADISON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

- Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not certify the availability of funds for certain expenditures during 1999 and 1998.
- Contrary to Ohio Rev. Code Section 5705.41(B), the Township had certain expenditures in excess of appropriations during 1999 and 1998.

**4. NONCOMPLIANCE**

Contrary to Chapter 117-3 of the Ohio Administrative Code, the Township did not completely observe the rules regarding bank reconciliations and using the prescribed accounting system.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**6. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Commercial Loan 1995	\$ 28,441	6.50%
Commercial Loan 1996	<u>55,183</u>	7.25%
Total	<u><u>\$ 83,624</u></u>	

**MADISON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**6. DEBT (Continued)**

Proceeds of the 1995 and 1996 Commercial Loans were used to purchase construction equipment. Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Commercial Loan 1995	Commercial Loan 1996
2000	\$ 30,320	\$ 31,659
2001	<u>0</u>	<u>29,620</u>
Total	<u>\$ 30,320</u>	<u>\$ 61,279</u>

**7. CAPITAL LEASES**

The Township has entered into a capital lease agreement to finance the acquisition of an ambulance. The ambulance's capitalized cost was \$63,000. The following is a schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at December 31, 1999:

Year Ending December 31:	Ambulance Lease
2000	\$ 9,989
2001	9,989
2002	9,989
2003	9,989
2004	<u>9,989</u>
Total Minimum Lease Payments	49,945
Less Amount Representing Interest	<u>(9,820)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 40,125</u>

**8. RETIREMENT SYSTEMS**

The Township's full-time fire department personnel belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**MADISON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**9. RISK MANAGEMENT**

The Township is a member of the Ohio Government Risk Management Plan (the Plan). The Plan is an unincorporated non-profit association of its members for the purpose of providing its members a jointly administered self-insurance program. The Plan assumes the risk of loss minus the Township's deductible contribution. The following risks are covered by the Plan:

- Comprehensive property and general liability
- Vehicles
- Public officials' liability

The Township also provides health insurance coverage to full-time employees through a private carrier.

**10. RELATED ORGANIZATION - MADISON WATER DISTRICT**

The Madison Township Board of Trustees are responsible for appointing individuals to serve on the Board of Trustees of the Madison Water District. The Madison Water District hires and fires its own staff and does not rely on the Township to finance deficits. The Township is not financially accountable for the Madison Water District nor is the Madison Water District financially dependent on the Township. The Madison Water District serves as its own budgeting, taxing and debt issuance authority. The Madison Water District did not receive any funding from the Township during the audit period.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Madison Township  
Richland County  
843 Expressview Drive  
Mansfield, Ohio 44905

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated October 13, 2000, which included an emphasis of matter related to a correction of a fund type classification. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-40570-001 through 1999-40570-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 13, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1999-40570-005 and 1999-40570-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the Schedule of Findings, we consider items 1999-40570-005 and 1999-40570-006 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated October 13, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

October 13, 2000

**MADISON TOWNSHIP  
RICHLAND COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding For Recovery**

**Finding #1999-40570-001**

Sondra Hicks, Clerk, was overpaid \$252.05 during 1999 due to a miscalculation of her 1998 salary. HB 408 provided an increase in the Clerk's salary. However, Ms. Hicks was hired in mid-March of 1998 and was paid at the salary rate that was in effect prior to the HB 408 increase. An adjustment for an underpayment of her 1998 salary was made in 1999. However, this adjustment was calculated on a twelve-month basis instead of a nine and one-half month basis, resulting in the overpayment of her 1998 salary.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies misappropriated is hereby issued against Sondra Hicks, Clerk, and the Ohio Government Risk Management Plan, her bonding company, jointly and severally, in the amount of two hundred fifty two dollars and five cents (\$252.05), and in the favor of Madison Township.

This finding was repaid during the audit.

**Material Noncompliance**

**Finding #1999-40570-002**

Ohio Rev. Code Section 5705.41(D) 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.

This section also provides for two exceptions to the above requirements:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

We noted that twenty-five out of the sixty expenditures tested during the audit period were not certified by the Clerk prior to the purchase commitment being made. There was no evidence that Then and Now Certificates were used. We recommend that the Clerk certify the availability of funds for all purchases in order to reduce the possibility of over-spending available resources.

**MADISON TOWNSHIP  
RICHLAND COUNTY  
SCHEDULE OF FINDINGS  
(Continued)**

**Material Noncompliance (Continued)**

**Finding #1999-40570-003**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The following variances existed at the fund type level at year end:

<b>1999</b>	Appropriations	Expenditures	Variance
Special Revenue Fund:			
Fire District Fund	\$554,397	\$846,987	\$292,590
EPA Grant Fund	1,566	1,576	10
EMS Fund	42,124	109,761	67,637
Debt Service Fund	\$79,700	\$222,139	\$142,439

<b>1998</b>	Appropriations	Expenditures	Variance
Special Revenue Fund:			
Motor Vehicle Tax Fund	\$30,000	\$31,245	\$1,245
Road and Bridge Fund	159,425	178,362	18,937
Fire District Fund	545,699	617,216	71,517
EPA Grant Fund	0	89,421	89,421
Permissive Sales Tax Fund	184,366	237,797	53,431
Debt Service Fund	\$4,000	\$50,000	\$46,000

Spending more than appropriations could increase the likelihood of funds being obligated for a commitment when those funds are not available to pay the obligation, thereby resulting in deficit fund balances.

We recommend that the Clerk and the Board of Trustees compare appropriations to expenditures in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at a minimum.

**MADISON TOWNSHIP  
RICHLAND COUNTY  
SCHEDULE OF FINDINGS  
(Continued)**

**Material Noncompliance (Continued)**

**Finding #1999-40570-004**

Ohio Administrative Code sets forth various requirements for Townships as follows:

- < Section 117-3-03 (A) states that each township electing to use the alphanumeric system of accounting codes shall use the prescribed accounting code for the corresponding receipts.

Interest receipts were coded as taxes, permissive sales taxes, and other miscellaneous receipts in 1998. Interest was coded utilizing the interest receipt code in 1999.

- < Section 117-3-08 (D) states the cash balance plus outstanding warrants must agree with the depository balance plus undeposited funds in the hands of the clerk or in transit to the depository.

The Township books were not balanced with the bank for the audit period.

We recommend that the Clerk review and implement the requirements for Townships as provided by the Ohio Administrative Code.

**Material Weaknesses**

**Finding #1999-40570-005**

Throughout the audit period, the Clerk prepared reports that detailed revenues, balances, and budget-to-actual data. However, bills for payment and summary financial reports were the only items submitted to the Board for review and approval at the monthly meetings.

Failure to monitor the financial records establishes a tone of indifference which could result in employees not using due care during the course of their work. In an environment where one person is solely responsible for the maintenance and preparation of predominantly all financial records, lack of adequate monitoring by an independent party can allow errors and irregularities to remain undetected for a significant amount of time. This decreases the reliability of the financial records. This situation could also allow the Board to take actions that would not occur if they reviewed the financial reports in a timely manner.

We recommend that the Clerk continue to prepare detailed monthly reports for the Board to ensure that the Board has adequate information to make budget and financial decisions in a timely manner. This will improve the reliability of the financial statements by allowing for timely detection of errors and irregularities and establish a tone in the organization which emphasizes the importance of reliable financial records. Furthermore, the Board should expand their fiscal monitoring procedures to include the review and approval of the various detailed reports that are prepared by the Clerk, including the monthly bank reconciliations. This type of review will also provide additional checks and balances to reduce the inherent risks that exist in an environment which lacks the segregation of accounting duties.

**Finding #1999-40570-006**

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves adjusting both balances to the adjusted cash balance. From December 1997 through December 1999, the Township did not resolve various differences between the adjusted bank balance and the balance reflected within the Township's accounting records. The annual reports for fiscal years 1998 and 1999 were filed with the Auditor of State with this unresolved difference.

**MADISON TOWNSHIP  
RICHLAND COUNTY  
SCHEDULE OF FINDINGS  
(Continued)**

**Material Weaknesses (Continued)**

**Finding #1999-40570-006 (Continued)**

Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder the detection of errors or irregularities by the Township's management in a timely manner. In addition, Township management is not provided with timely fiscal information that is vital to the continued operations and decision making process of the Township, which could negatively impact on the Township's ability to manage Township operations.

The Township should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**MADISON TOWNSHIP**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 14, 2000**