



*MADISON TOWNSHIP, FAYETTE COUNTY*

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**Regular Audit**

**For the Years Ended  
December 31, 2012 and 2011**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

Board of Trustees  
Madison Township  
2690 SR 753 SE  
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of Madison Township, Fayette County, prepared by J. L. Uhrig and 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. Madison 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

August 12, 2013

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**MADISON TOWNSHIP, FAYETTE COUNTY**  
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*For the Years Ended December 31, 2012 and 2011*

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## Independent Auditor's Report

Board of Trustees  
Madison Township, Fayette County  
2690 SR 753 SE  
Washington Court House, OH 43160

### Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Madison Township, Fayette County, Ohio (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 the preparation and fair presentation of 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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 2 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 2 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 thereof for the year 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 the Madison Township, Fayette 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 2.

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, during 2011 Madison Township, Fayette County 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.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. The 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.

***J. L. Uhrig and Associates, Inc.***

J. L. Uhrig and Associates, Inc.  
Chillicothe, Ohio

June 21, 2013

**MADISON TOWNSHIP, FAYETTE 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 Fund Types			Totals
	General	Special Revenue	Debt Service	
<b><u>Cash Receipts:</u></b>				
Local Taxes	\$75,577	\$104,906	\$0	\$180,483
Intergovernmental	14,152	105,047	0	119,199
Licenses, Permits, and Fees	36	10,775	0	10,811
Earnings on Investments	34	56	0	90
Other Revenue	619	0	0	619
<b>Total Cash Receipts</b>	<b>90,418</b>	<b>220,784</b>	<b>0</b>	<b>311,202</b>
<b><u>Cash Disbursements:</u></b>				
<i>Current:</i>				
General Government	94,156	0	0	94,156
Public Safety	0	66,107	0	66,107
Public Works	0	78,189	0	78,189
Health	1,580	23,133	0	24,713
Capital Outlay	0	123,702	0	123,702
<i>Debt Service:</i>				
Redemption of Principal	0	15,333	0	15,333
Interest and Fiscal Charges	0	636	0	636
<b>Total Cash Disbursements</b>	<b>95,736</b>	<b>307,100</b>	<b>0</b>	<b>402,836</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(5,318)</b>	<b>(86,316)</b>	<b>0</b>	<b>(91,634)</b>
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds of Notes	0	60,000	0	60,000
Sale of Fixed Assets	0	25,000	0	25,000
Transfers In	0	1,750	0	1,750
Transfers Out	(1,750)	0	0	(1,750)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,750)</b>	<b>86,750</b>	<b>0</b>	<b>85,000</b>
<b>Excess of Cash Receipts and Other Financing Sources Over /(Under) Cash Disbursements and Other Uses</b>	<b>(7,068)</b>	<b>434</b>	<b>0</b>	<b>(6,634)</b>
<b>Fund Cash Balances, January 1</b>	<b>131,040</b>	<b>198,239</b>	<b>4</b>	<b>329,283</b>
Restricted	0	198,673	4	198,677
Unassigned	123,972	0	0	123,972
<b>Fund Cash Balances, December 31</b>	<b>\$123,972</b>	<b>\$198,673</b>	<b>\$4</b>	<b>\$322,649</b>

See accompanying notes to the financial statements.



**MADISON TOWNSHIP, FAYETTE 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 Fund Types			Totals
	General	Special Revenue	Debt Service	
<b><u>Cash Receipts:</u></b>				
Local Taxes	\$61,468	\$90,935	\$0	\$152,403
Intergovernmental	79,730	106,641	0	186,371
Licenses, Permits, and Fees	5,467	6,325	0	11,792
Earnings on Investments	41	74	0	115
Other Revenue	743	0	0	743
<b>Total Cash Receipts</b>	<b>147,449</b>	<b>203,975</b>	<b>0</b>	<b>351,424</b>
<b><u>Cash Disbursements:</u></b>				
<i>Current:</i>				
General Government	64,499	0	0	64,499
Public Safety	0	60,752	0	60,752
Public Works	0	53,853	0	53,853
Health	3,056	43,962	0	47,018
<b>Total Cash Disbursements</b>	<b>67,555</b>	<b>158,567</b>	<b>0</b>	<b>226,122</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>79,894</b>	<b>45,408</b>	<b>0</b>	<b>125,302</b>
<b><u>Other Financing Sources:</u></b>				
Transfers In	0	2,500	0	2,500
Transfers Out	(2,500)	0	0	(2,500)
<b>Total Other Financing Sources</b>	<b>(2,500)</b>	<b>2,500</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements</b>	<b>77,394</b>	<b>47,908</b>	<b>0</b>	<b>125,302</b>
<b>Fund Cash Balances, January 1</b>	<b>53,646</b>	<b>150,331</b>	<b>4</b>	<b>203,981</b>
Restricted	0	198,239	4	198,243
Unassigned	131,040	0	0	131,040
<b>Fund Cash Balances, December 31</b>	<b>\$131,040</b>	<b>\$198,239</b>	<b>\$4</b>	<b>\$329,283</b>

See accompanying notes to the financial statements.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

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**Note 1 – Reporting Entity**

Madison Township, Fayette County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The Township provides general government services, maintenance of Township roads and bridges, and maintenance of cemeteries.

The Township contracts with the BPM Joint Fire District and the Tri-County Joint Fire District to provide fire services.

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

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The Township's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**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:

**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.

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

*Motor Vehicle License Tax Fund* – This fund receives motor vehicle license tax money to pay for constructing, maintaining and repairing Township roads.

*Gasoline Tax Fund* – This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

*Fire District Fund* – This fund receives property tax money to pay for fire and ambulance services.

*Cemetery Fund* – This fund receives property tax money to provide upkeep of the Township's cemeteries.

**Budgetary Process**

The Ohio Revised Code requires that each Township fund be budgeted annually.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Budgetary Process**

The Ohio Revised Code requires that each Township fund be budgeted annually.

**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 Fayette County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

**Estimated Resources:** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Fayette County Budget Commission must also certify estimated resources.

**Encumbrances:** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the following year.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

**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:

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

**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.

**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.

**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.

**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.

**Property, Plant and Equipment**

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

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

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**Note 3 – Cash and Investments**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Township had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2012	December 31, 2011
Demand Deposits	\$322,649	\$329,183

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

**Note 4 – Budgetary Basis of Accounting**

The Township's budgetary activity for the years ending December 31, 2012 and December 31, 2011 was as follows:

2012 Budgeted vs. Actual Receipts			
	Receipts		
Fund Type	Budgeted	Actual	Variance
General	\$70,382	\$90,418	\$20,036
Special Revenue	265,540	207,534	41,994
<i>Total</i>	\$335,922	\$397,952	\$62,030

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

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**Note 4 – Budgetary Basis of Accounting** (continued)

2012 Budgeted vs. Actual Budgetary Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$187,343	\$97,486	\$89,857
Special Revenue	395,337	307,100	88,237
<i>Total</i>	<u>\$582,680</u>	<u>\$404,586</u>	<u>\$178,094</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$147,448	\$147,449	\$1
Special Revenue	205,864	206,475	611
<i>Total</i>	<u>\$353,312</u>	<u>\$353,924</u>	<u>\$612</u>

2011 Budgeted vs. Actual Budgetary Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$158,397	\$70,055	\$88,342
Special Revenue	316,446	158,567	157,879
<i>Total</i>	<u>\$474,843</u>	<u>\$226,222</u>	<u>\$246,221</u>

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

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**Note 5- Debt**

Debt outstanding at December 31, 2012 was as follows:

<u>2012</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Truck and Snow Plow Note	\$0	\$60,000	\$15,333	\$44,667	\$14,362
Total	\$0	\$60,000	\$15,333	\$44,667	\$14,362

During 2012, the Township obtained a note in order to purchase a Truck and Snow Plow to use to provide road maintenance services. The note is to be repaid in four years.

Principal and interest requirements to retire debt outstanding at December 31, 2012 are as follows:

Year end December 31	<u>Truck and Snow Plow Note</u>		
	Principal	Interest	Total
2013	\$14,362	\$1,607	\$15,969
2014	14,879	1,090	15,969
2015	15,426	545	15,971
Total	\$44,667	\$3,242	\$47,909

**Note 6- Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2011, were levied after October 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Township operations for the year ended December 31, 2012 and 2011, was \$5.15 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2012 and 2011 property tax receipts were based are as follows:

	<u>2012</u>	<u>2011</u>
Real Property		
Residential/Agricultural	\$25,516,810	\$23,586,910
Public Utility	14,474,630	19,702,280
Total Assessed Value	\$39,991,440	\$43,289,190

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

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**Note 7 – Risk Management**

**Risk Pool Membership**

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 Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool’s primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York Risk Pooling Services, Inc. (YORK). APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. The Board of Directors and YORK periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

**Casualty 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 the generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

<u>Combined Coverage</u>	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Retained Earnings	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the Casualty Coverage assets and retained earnings above also include approximately \$7.9 million and \$8.6 million of unpaid claims to be billed to approximately 944 and 938 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. The Township’s share of these unpaid claims collectible in future years is approximately \$13,272. This payable includes the subsequent year’s contribution due if the Township terminates participation, as described in the last paragraph below.

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

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

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**Note 7 – Risk Management** (continued)

The Township’s required contributions to OTARMA for the years ended December 31, 2012, 2011, and 2010 were \$6,636, \$6,006, and \$5,218, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s budgetary contribution. Withdrawing members have no other future obligation to the pool. Also, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 – Retirement Systems**

The Township’s employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement 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 2012 and 2011, members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2012.

**Note 9 – Fund Cash Balances**

As of December 31, 2012, fund balances are composed of the following:

	General	Special Revenue	Debt Service	Total
<i>Restricted:</i>				
Motor Vehicle License Tax	\$0	\$12,941	\$0	\$12,941
Gasoline Tax	0	56,986	0	56,986
Cemetery	0	69,407	0	69,407
Lighting	0	279	0	279
Permissive MVL	0	6,793	0	6,793
Fire District	0	52,267	0	52,267
Debt Service	0	0	4	4
<i>Unassigned</i>	123,972	0	0	123,972
<b>Total</b>	<b>\$123,972</b>	<b>\$198,673</b>	<b>\$4</b>	<b>\$322,649</b>



**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2012 and 2011**

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**Note 9 – Fund Cash Balances** (continued)

As of December 31, 2011, fund balances are composed of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
<i>Restricted:</i>				
Motor Vehicle License Tax	\$0	\$13,979	\$0	\$13,979
Gasoline Tax	0	98,830	0	98,830
Cemetery	0	47,582	0	47,582
Lighting	0	688	0	688
Permissive MVL	0	4,802	0	4,802
Fire District	0	32,358	0	32,358
Debt Service	0	0	4	4
<i>Unassigned</i>	<u>131,040</u>	<u>0</u>	<u>0</u>	<u>131,040</u>
Total	<u>\$131,040</u>	<u>\$198,239</u>	<u>\$4</u>	<u>\$329,283</u>

**Note 10 – Related Party Transactions**

The Township does business with a Trustee’s business (D. D. Excavating). The Township hires D. D. Excavating to open and close cemetery graves. The Trustee does not vote on payment, does not sign checks for payment, and refrains from discussions concerning the same issues.

**Note 11 – Change in Accounting Principle**

For 2011, the Township implemented GASB Statement No. 54, “Fund Balances Reporting and Governmental Fund Type Definitions”. The implementation of these statements did not result in any changes in the Township’s financial statements.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Madison Township, Fayette County  
2690 SR 753 SE  
Washington Court House, OH 43160

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of Madison Township, Fayette County, Ohio (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 21, 2013, wherein we noted that the Township followed financial reporting provisions Ohio Revised Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. It was also noted that the Township adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal over financial reporting that we consider a material weakness.

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 correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected on a timely basis. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

Board of Trustees  
Madison Township, Fayette County  
Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*

### **Compliance and Other Matters**

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 affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such 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 2012-001 through 2012-003.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 21, 2013.

### **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**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

June 21, 2013

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2012 and 2011**

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

*Finding Number 2012-001*

**Financial Record Keeping – Material Weakness/Noncompliance Citation**

Ohio Administrative Code (OAC) Section 117-2-02(A) directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record, and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC Section 117-2-02(D) allows the records to be maintained manually or in a computerized format and requires the following: (1) Cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction; (2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number, and other information necessary to record the transaction on this ledger, and; (3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

Two receipt transactions were posted to the incorrect account code in 2012. Disbursements were recorded in the incorrect function in 2011 and 2012. This did not allow the Fiscal Officer to accurately reflect the receipt or disbursement transactions of the Township.

The fact that the posting and reporting errors resulting in reclassification and adjusting entries occurred, indicates a significant deficiency in the internal controls over financial record keeping and reporting and resulted in the inaccurate reflection of the receipts of the Township for 2012.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and the description of the accounts and maintain the receipt ledger in the manner prescribed therein.

**Officials' Response**

After reviewing the information and discussing the posting errors associated with other financing sources, I agree that they should not have been posted as miscellaneous revenues as they were entered. We will strive to correctly record revenue in the future.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2012 and 2011**

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

*Finding Number 2012-002*

**Certification of Expenditures - Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Section 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 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 was otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**2. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** - The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2012 and 2011**

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

*Finding Number 2012-002 (continued)*

During testing it was noted that 100% of transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 the Fiscal Officer certify that the 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.

We recommend that no orders involving the expenditure of money be made unless the Fiscal Officer has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

**Officials' Response**

The Township is striving to correct this for future periods.

*Finding Number 2012-003*

**Township Trustee Compensation - Noncompliance Citation**

ORC Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General Opinion No. 2004-036.

In summary, Ohio Rev. Code Section 505.24(C) requires the following:

**(1) Trustees receiving per diem compensation:** The trustees must resolve a method by which each trustee shall periodically notify the fiscal officer of the number of days spent on township services and the kind of services rendered on those days. The per diem compensation shall be paid from the General Fund or from other township funds in proportion to the kinds of services rendered, as documented. (For example, the township could charge trustee time spent on road repairs to the road & bridge fund.)

**(2) Trustees receiving compensation by annual salary:** By resolution, Ohio Rev. Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, Ohio Rev. Code Section 505.24(C) does not prescribe a "documentation of time spent" requirement.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2012 and 2011**

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

*Finding Number 2012-003 (continued)*

However, for salaries not paid from the General Fund effective October 19, 2004, OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Per the above, trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) There is no one method for documenting time and the kinds of services rendered.

Prior to the issuance of the aforementioned Attorney General Opinion, regarding (2) above, the AOS accepted resolutions that specified percentages of salaries to allocate to various funds, as complying with ORC 505.24(C). This Attorney General Opinion alters that conclusion. Resolutions to pay trustees by salary should now specify that a township will allocate salaries based on documentation the trustees submit, not based on percentages a resolution specifies.

For example, subsequent to the Attorney General Opinion, it is not acceptable for a township to resolve that they will “charge 50% of trustee salaries and benefits to the general fund and 50% of this compensation to the road and bridge fund.”

Contrary to the above, the Board of Trustees was paid out of the General Fund, Gasoline Tax Fund and the Cemetery Fund as per their yearly resolution. Documentation of the Trustees time spent was not prepared and maintained on file as required. We have proposed audit adjustments to reclassify the disbursements for trustee salaries from the Gasoline Tax and Cemetery Funds to the General Fund. The result of these adjustments is to increase cash in the General Fund and decrease cash in the Gasoline Tax and Cemetery Funds.

These cash adjustments have been made in these financial statements and have been made by the Township in their accounting records.

We recommend that the Township Board of Trustees adopt a resolution to pay trustees by salary or per diem. We further recommend to the Board of Trustees that they follow the procedures outlined in (1) and (2) above.

**Officials’ Response**

The Township began preparing and maintaining supporting documentation for allocating Trustee Salaries in April 2012.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2012 and 2011**

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<b>Description</b>	<b>Status</b>	<b>Comments</b>
<b><i>Government Auditing Standards:</i></b>		
1. Significant deficiency/noncompliance citation for posting money into a fund for which it was not specified.	Not corrected	Reissued as finding 2012-001
2. Significant deficiency/noncompliance citation for prior certification of funds.	Not corrected	Reissued as finding 2012-002
3. Noncompliance citation for trustee's compensation.	Not corrected	Reissued as finding 2012-003





# Dave Yost • Auditor of State

**MADISON TOWNSHIP**

**FAYETTE 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  
AUGUST 22, 2013**