



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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MADISON TOWNSHIP
FAIRFIELD COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2014 and 2013
Fiscal Years Audited Under GAGAS: 2014 and 2013



Dave Yost • Auditor of State

Board of Trustees
Madison Township
9737 Snortin Ridge Rd
Lancaster, Ohio 43130

We have reviewed the *Independent Auditor's Report* of Madison Township, Fairfield County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2013 through December 31, 2014. 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

December 31, 2015

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Madison Township
Fairfield County, Ohio
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For the Fiscal Years Ended December 31, 2014 and 2013

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Independent Auditor's Report

Madison Township
Fairfield County
9737 Snortin Ridge Rd
Lancaster, Ohio 43130

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Madison Township, Fairfield County, (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Madison Township, Fairfield County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015, 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
October 7, 2015

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 15,973	\$ 102,374	\$ 118,347
License, Permits and Fees	19,812	-	19,812
Intergovernmental	12,441	106,424	118,865
Miscellaneous	1,579	-	1,579
	<u>49,805</u>	<u>208,798</u>	<u>258,603</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	53,060	3,772	56,832
Public Safety	-	41,832	41,832
Public Works	3,616	158,390	162,006
Health	3,209	-	3,209
Debt Service:			
Redemption of Principal	-	14,454	14,454
	<u>59,885</u>	<u>218,448</u>	<u>278,333</u>
Total Cash Disbursements			
Excess of Receipts Over (Under) Disbursements	(10,080)	(9,650)	(19,730)
Other Financing Receipts (Disbursements):			
Advances In	900	900	1,800
Advances Out	(900)	(900)	(1,800)
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Receipts (Disbursements)			
Net Change in Fund Cash Balances	(10,080)	(9,650)	(19,730)
Fund Cash Balances, January 1	<u>1,067</u>	<u>84,991</u>	<u>86,058</u>
Fund Cash Balances, December 31			
Restricted	-	75,341	75,341
Unassigned	(9,013)	-	(9,013)
	<u>-</u>	<u>75,341</u>	<u>75,341</u>
Fund Cash Balances, December 31	<u>\$ (9,013)</u>	<u>\$ 75,341</u>	<u>\$ 66,328</u>

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

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 12,430	\$ 88,094	\$ 100,524
License, Permits and Fees	18,159	-	18,159
Intergovernmental	12,425	104,280	116,705
Earnings on Investments	2	-	2
Miscellaneous	12,998	-	12,998
	<u>56,014</u>	<u>192,374</u>	<u>248,388</u>
Total Cash Receipts			
	<u>56,014</u>	<u>192,374</u>	<u>248,388</u>
Cash Disbursements:			
Current:			
General Government	45,288	4,198	49,486
Public Safety	-	37,623	37,623
Public Works	2,178	144,553	146,731
Other	5,259	-	5,259
Capital Outlay	-	645	645
Debt Service:			
Redemption of Principal	-	14,454	14,454
	<u>52,725</u>	<u>201,473</u>	<u>254,198</u>
Total Cash Disbursements			
	<u>52,725</u>	<u>201,473</u>	<u>254,198</u>
Excess of Receipts Over (Under) Disbursements	3,289	(9,099)	(5,810)
Other Financing Receipts (Disbursements):			
Other Financing Sources	455	-	455
	<u>455</u>	<u>-</u>	<u>455</u>
Total Other Financing Receipts (Disbursements)			
	<u>455</u>	<u>-</u>	<u>455</u>
Net Change in Fund Cash Balances	3,744	(9,099)	(5,355)
Fund Cash Balances, January 1	<u>(2,677)</u>	<u>94,090</u>	<u>91,413</u>
Fund Cash Balances, December 31			
Restricted	-	84,991	84,991
Assigned	509	-	509
Unassigned	558	-	558
	<u>558</u>	<u>-</u>	<u>558</u>
Fund Cash Balances, December 31	<u>\$ 1,067</u>	<u>\$ 84,991</u>	<u>\$ 86,058</u>

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

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison Township, Fairfield County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services and road maintenance services. The Township contracts with Amanda Township to provide fire and ambulance services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA). OTARMA is a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Township deposits all available funds in an interest earning checking account at a local commercial bank. All deposits are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

Fire District Fund – This fund receives property tax money to provide fire protection for the Township residents.

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. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

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

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

The Township records disbursements for acquisition of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH

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

	2014	2013
Demand Deposits	<u>\$ 66,328</u>	<u>\$ 86,058</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,750	\$ 50,705	\$ 2,955
Special Revenue	185,000	209,698	24,698
Total	\$ 232,750	\$ 260,403	\$ 27,653

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,300	\$ 60,785	\$ (15,485)
Special Revenue	162,650	219,348	(56,698)
Total	\$ 207,950	\$ 280,133	\$ (72,183)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 52,000	\$ 56,469	\$ 4,469
Special Revenue	225,200	192,374	(32,826)
Total	\$ 277,200	\$ 248,843	\$ (28,357)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 52,000	\$ 53,234	\$ (1,234)
Special Revenue	187,000	202,812	(15,812)
Total	\$ 239,000	\$ 256,046	\$ (17,046)

Contrary to Ohio Revised Code section 5705.41(B), budgetary expenditures exceeded appropriation authority in the General, Road & Bridge, and Fire District funds for 2013, and the General, Motor Vehicle License Tax, Gasoline, Road & Bridge, Fire District and Permissive Motor Vehicle License Tax funds for 2014. Also contrary to Ohio Revised Code section 5705.39, appropriation authority exceeded total estimated resources in the General Fund for 2013. Contrary to Ohio Revised Code section 5705.10(H), the General Fund had a negative fund balance at the end of 2014.

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

4. PROPERTY TAX

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

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

5. LEASE

Lease outstanding at December 31, 2014 was as follows:

	Lease
Ford Motor Credit	\$28,908

The lease is for the purchase of a 2012 Ford F-550 truck. Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Lease Payment
2015	\$ 14,454
2016	\$ 14,454
	\$ 28,908

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

7. 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. (formally 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.

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

7. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, 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, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

<u>Contributions to OTARMA</u>	
<u>2014</u>	<u>2013</u>
\$6,155	\$6,011

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.

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. ADVANCES

During 2014, the Township advanced \$900 from the General Fund to the Road and Bridge Fund to cover payroll taxes. This advance was fully repaid during 2014.



Balestra, Harr & Scherer, CPAs, Inc.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Madison Township
Fairfield County
9737 Snortin Ridge Rd.
Lancaster, Ohio 43130

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Madison Township, Fairfield County, (the Township) as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, and have issued our report thereon dated October 7, 2015, wherein we noted the Township followed accounting and financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), described in Note 1.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 thru 2014-006.

Entity's Response to Findings

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

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
October 7, 2015

<p>Madison Township Fairfield County Schedule of Findings December 31, 2014 and 2013</p>

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

FINDING NUMBER	2014-001
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MATERIAL WEAKNESS/NONCOMPLIANCE

Sound financial reporting is the responsibility of the Fiscal Officer and Township Trustees and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Ohio Rev. Code Section 5705.10(D) states in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Various adjustments made to the financial statements and accounting records for the years ending December 31, 2014 and 2013 were in violation of Ohio Revised Code Section 5705.10, all derived from a source other than the general property tax and which the law the law prescribes shall be used for the particular purpose, shall be paid into a special fund for that purpose.

Other material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Township’s internal controls over financial reporting. Misstatements were identified in the following areas:

- Intergovernmental revenues
- Property Tax revenues
- License, Permits and Fees revenues
- Health expenses
- Principal Payments expense
- Fund Balance

All of the above noted adjustments have been posted to the financial statements and to the Township’s UAN accounting system.

To ensure the Township’s financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Township Handbook for guidance on the correct line item to post various receipts and expenditures of the Township.

Client Response: I intend to seek additional training and work closely with the Auditor’s office and visiting clerk.

FINDING NUMBER	2014-002
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MATERIAL NONCOMPLIANCE

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting 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. Only the subdivision’s fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

<p>Madison Township Fairfield County Schedule of Findings December 31, 2014 and 2013</p>

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

FINDING NUMBER	2014-002 (Continued)
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There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

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 entity 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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 55% of the expenditures tested during 2014 and 68% of the expenditures tested during 2013 and there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures.

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 that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

Client Response – I will work with the Trustees to have sufficient carryover funds to enable blanket certificates to be set up at the beginning of the year. Previously, there weren’t available funds for this.

<p>Madison Township Fairfield County Schedule of Findings December 31, 2014 and 2013</p>

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

FINDING NUMBER	2014-003
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SIGNIFICANT DEFICIENCY/MATERIAL NONCOMPLIANCE

Ohio Admin. Code Section 117-2-02 requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

At the inception of the audit, the Township was unable to locate any supporting documentation for non-payroll related disbursements occurring during 2014. The Township was eventually able to locate the missing records required to substantiate these disbursements. However, the lack of controls over organizing and maintaining supporting documentation prohibited the audit from being completed in a timely fashion.

We recommend that all supporting documentation for transactions be maintained by the Township in an organized manner.

Client Response – I will work to improve this area.

FINDING NUMBER	2014-004
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MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Township is the level at which the Trustees adopts the original appropriation measure.

The Township Trustees approve appropriations at the fund-function-object level of control. For 2013, appropriations were entered into the Township's accounting system for the General, Road & Bridge, and Fire District funds at \$6,925, \$24,902, and \$6,000, respectively, higher than the amount approved by the Trustees in open meeting. This resulted in the Township's actual expenditures exceeding approved appropriations for the General, Road & Bridge, and Fire District funds by \$1,017, \$24,216, and \$2,623, respectively. For 2014, appropriations were entered into the Township's accounting system for the General, Motor Vehicle License Tax, Gasoline, Road & Bridge, Fire District, and Permissive Motor Vehicle License Tax funds at \$11,222, \$3,600, \$11,694, \$25,131, \$10,000, and \$9,456, respectively, higher than the amount approved by the Trustees in open meeting. This resulted in the Township's actual expenditures exceeding approved appropriations for the General, Motor Vehicle License Tax, Gasoline, Road & Bridge, Fire District, and Permissive Motor Vehicle License Tax funds by \$11,767, \$3,598, \$11,297, \$25,826, \$5,232, and \$9,407, respectively.

Failure to have adequate appropriation authority in place at the time of expenditure prohibits the Trustees and from being able to adequately monitor the status of the approved appropriations in comparison of the Township's activity to determine if additional appropriations need to be approved by the Trustees. The Fiscal Officer should deny payment of any invoice that cannot be fully supported by approved appropriations.

Client Response – I am working with the visiting clerk and County Auditor's office to improve appropriation reporting.

<p>Madison Township Fairfield County Schedule of Findings December 31, 2014 and 2013</p>

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

FINDING NUMBER	2014-005
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MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

The Township had appropriations in excess of estimated resources in the General Fund in the amount of \$2,677 in 2013.

The Township should take due care to ensure close budgetary monitoring, and amend appropriations and estimated resources when necessary to ensure compliance.

Client Response – I am working with the visiting clerk on appropriation reporting.

FINDING NUMBER	2014-006
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MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money one fund was used to cover the expenses of another fund.

The Township had a negative fund balance of \$9,013 in the General Fund in 2014 due to adjustments made during the financial audit.

We recommend Township management and the Board of Trustees to monitor the posting of revenues and expenditures to ensure amounts are being recorded within the proper funds so that the Township can effectively budget the Township's resources.

Client Response – I will work with the Auditor’s office and visiting clerk on adjustments.

**Madison Township
Fairfield County
Schedule of Prior Audit Findings
December 31, 2014 and 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	Material Weakness/Noncompliance – Financial Statement Adjustments	No	Reissued as 2014-001
2012-002	Material Noncompliance – ORC 5705.41(B)	No	Reissued as 2014-004
2012-003	Material Noncompliance – ORC 5705.10(H)	No	Reissued as 2014-006



Dave Yost • Auditor of State

MADISON TOWNSHIP

FAIRFIELD 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
JANUARY 14, 2016**