



**MADISON TOWNSHIP
COLUMBIANA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MADISON TOWNSHIP
COLUMBIANA COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503

Telephone 330-797-9900
800-443-9271

Facsimile 330-797-9949

REPORT OF INDEPENDENT ACCOUNTANTS

Madison Township
Columbiana County
P.O. Box 485
West Point, Ohio 44492

To the Board of Township Trustees:

We have audited the accompanying financial statements of Madison Township, Columbiana County, (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 audit.

We conducted our audit 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 audit 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 audit provides 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 of Madison Township, Columbiana County, as of December 31 1999 and 1998, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 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, and contracts.

This report is intended solely for the information and use of management, Board of Township 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

September 29, 2000

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**MADISON TOWNSHIP
COLUMBIANA COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$36,324	\$197,872	\$11,000	\$245,196
Intergovernmental	75,731	95,879		171,610
Licenses, Permits, and Fees	2,105			2,105
Earnings on Investments	3,766	1,354		5,120
Miscellaneous Cash Receipts	3,000	24,519		27,519
	<u>120,926</u>	<u>319,624</u>	<u>11,000</u>	<u>451,550</u>
Cash Disbursements:				
General Government	82,400			82,400
Public Safety		69,321		69,321
Public Works		223,139		223,139
Health	4,780			4,780
Debt Service:				
Note Principal Payments			20,575	20,575
Interest and Fiscal Charges			3,093	3,093
	<u>87,180</u>	<u>292,460</u>	<u>23,668</u>	<u>403,308</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	33,746	27,164	(12,668)	48,242
Other Financing Sources/(Uses):				
Transfers-In			11,000	11,000
Advances-In	2,000	3,200		5,200
Transfers-Out		(11,000)		(11,000)
Advances-Out	(2,000)	(3,200)		(5,200)
	<u> </u>	<u>(11,000)</u>	<u>11,000</u>	<u> </u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	33,746	16,164	(1,668)	48,242
Fund Cash Balances - January 1, 1999	<u>33,602</u>	<u>91,577</u>	<u>2,947</u>	<u>128,126</u>
Fund Cash Balances - December 31, 1999	<u>\$67,348</u>	<u>\$107,741</u>	<u>\$1,279</u>	<u>\$176,368</u>

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

**MADISON TOWNSHIP
COLUMBIANA COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$29,059	\$184,288	\$24,500	\$237,847
Intergovernmental	58,276	88,274	3,237	149,787
Licenses, Permits, and Fees	1,908			1,908
Fines, Forfeitures, and Penalties	12			12
Earnings on Investments	3,482	1,358		4,840
Miscellaneous Cash Receipts	9,495	11,566		21,061
	<u>102,232</u>	<u>285,486</u>	<u>27,737</u>	<u>415,455</u>
Total Cash Receipts				
Cash Disbursements:				
General Government	72,512			72,512
Public Safety		61,567		61,567
Public Works		188,756		188,756
Health	4,821			4,821
Debt Service:				
Note Principal Payments			20,575	20,575
Interest and Fiscal Charges			4,272	4,272
Capital Outlay	46,300			46,300
	<u>123,633</u>	<u>250,323</u>	<u>24,847</u>	<u>398,803</u>
Total Cash Disbursements				
Excess of Cash Receipts Over/ (Under) Cash Disbursements	<u>(21,401)</u>	<u>35,163</u>	<u>2,890</u>	<u>16,652</u>
Other Financing Sources/(Uses):				
Other Financing Sources	5,196			5,196
Other Financing Uses	(51)			(51)
	<u>5,145</u>			<u>5,145</u>
Total Other Financing Sources/(Uses)				
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	(16,256)	35,163	2,890	21,797
Fund Cash Balances - January 1, 1998	<u>49,858</u>	<u>56,414</u>	<u>57</u>	<u>106,329</u>
Fund Cash Balances - December 31, 1998	<u>\$33,602</u>	<u>\$91,577</u>	<u>\$2,947</u>	<u>\$128,126</u>

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

**MADISON TOWNSHIP
COLUMBIANA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
NONEXPENDABLE TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 1999 AND DECEMBER 31, 1998**

	<u>1999</u>	<u>1998</u>
Cash Receipts:		
Earnings on Investments	<u>210</u>	<u>209</u>
 Total Cash Receipts	 <u>210</u>	 <u>209</u>
Cash Disbursements:	<u> </u>	<u> </u>
 Excess of Cash Receipts Over Cash Disbursements	 <u>210</u>	 <u>209</u>
 Fund Cash Balances - January 1, 1999	 <u>3,590</u>	 <u>3,381</u>
 Fund Cash Balances - December 31, 1999	 <u><u>\$3,800</u></u>	 <u><u>\$3,590</u></u>

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

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**MADISON TOWNSHIP
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Madison Township, Columbiana County, (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 Township Trustees. The Township provides general governmental services, including road and bridge 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 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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Township 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 maintains the following significant Special Revenue Funds:

Gasoline Tax Fund - This Fund accounts for gasoline tax proceeds received from the State of Ohio restricted to constructing, maintaining, and repairing Township roads.

**MADISON TOWNSHIP
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road District Levy Fund - This Fund accounts for levy proceeds restricted to constructing, maintaining, and repairing Township roads.

Road and Bridge Fund - This Fund accounts for levy proceeds restricted to constructing, maintaining, and repairing Township roads and bridges.

Fire Levy Fund - This Fund accounts for property tax money restricted to providing fire protection services and equipment.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Township maintains the following debt service fund:

Note Retirement Fund - This Fund accounts for property tax money restricted to satisfying the obligations of notes the Township issued to purchase a truck, a mower, and a backhoe.

4. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township maintains the following fiduciary fund:

Nonexpendable Trust Fund - This Fund accounts for a bequest the Township received for cemetery purposes that only the interest gained on the principal of the bequest may expended.

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 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.

**MADISON TOWNSHIP
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 its 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 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 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	\$124,291	\$97,814
Investments: STAR Ohio	<u>55,877</u>	<u>33,902</u>
Total deposits and investments	<u>\$180,168</u>	<u>\$131,716</u>

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

Investments: The investment in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

**MADISON TOWNSHIP
COLUMBIANA COUNTY**

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

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,747	\$120,926	\$17,179
Special Revenue	283,204	319,624	36,420
Debt Service	25,041	22,000	(3,041)
Nonexpendable Trust	201	210	9
Total	<u>\$412,193</u>	<u>\$462,760</u>	<u>\$50,567</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$87,180	(\$87,180)
Special Revenue	0	303,460	(303,460)
Debt Service	0	23,668	(23,668)
Nonexpendable Trust	0	0	0
Total	<u>\$0</u>	<u>\$414,308</u>	<u>(\$414,308)</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,405	\$107,428	\$4,023
Special Revenue	324,967	285,486	(39,481)
Debt Service	25,511	27,737	2,226
Nonexpendable Trust	0	209	209
Total	<u>\$453,883</u>	<u>\$420,860</u>	<u>(\$33,023)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$123,684	(\$123,684)
Special Revenue	0	250,323	(250,323)
Debt Service	0	24,847	(24,847)
Nonexpendable Trust	0	0	0
Total	<u>\$0</u>	<u>\$398,854</u>	<u>(\$398,854)</u>

**MADISON TOWNSHIP
COLUMBIANA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

The Board of Township Trustees did not adopt annual appropriation resolutions for 1998 and 1999. Furthermore, since the Township did not have appropriations in effect for 1998 and 1999, the Clerk's certifications made during 1998 and 1999 per ORC 5705.41(D), (that the amount required to meet commitments for expenditures have been lawfully appropriated) are not valid.

4. DEBT OBLIGATIONS

The Township issued a \$25,500, 5%, general obligation note in 1996 to finance the purchase of a backhoe. The terms of the note require annual payments of \$6,200, plus applicable interest and fiscal charges, for the period 1997 through 2000.

The Township issued a \$24,800, 5.50%, general obligation note in 1996 to finance the purchase of a truck. The terms of the note require annual payments of \$6,375, plus applicable interest and fiscal charges, for the period 1997 through 2000.

The Township issued a \$40,000, 5%, note in 1997 to finance the purchase of a tractor and mower. The terms of the note require annual payments of \$8,000, plus applicable interest and fiscal charges, for the period 1998 through 2002.

The notes are collateralized solely by the Township's taxing authority. The Township pays all note obligations from the proceeds of road levies approved by the voters.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Note for Backhoe</u>	<u>Note for Truck</u>	<u>Note for Tractor and Mower</u>
2000	6,576	6,729	9,217
2001	0	0	8,811
2002	<u>0</u>	<u>0</u>	<u>8,406</u>
Total	<u>\$6,576</u>	<u>\$6,729</u>	<u>\$26,434</u>

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 payment, the first half is due December 31. The second half payment is due the following June 20.

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.

**MADISON TOWNSHIP
COLUMBIANA COUNTY**

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

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code prescribes PERS contribution rates. For 1998 and 1999, PERS requires members to contribute 8.5% of their gross salaries. The Township also contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty package
- Public official's liability package
- Vehicle package

The Township also provides health insurance and dental and vision coverage to the elected officials and full-time employees through a private carrier.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Voinoich Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949

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

Madison Township
Columbiana County
P.O. Box 485
West Point, Ohio 44492

To the Board of Township Trustees:

We have audited the accompanying financial statements of Madison Township, Columbiana County, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated September 29, 2000. We conducted our audit 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, and contracts, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-41215-001 and 1999-41215-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated September 29, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying schedule of findings as item 1999-41215-003.

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 over financial reporting that might be material weaknesses.

Madison Township
Columbiana County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

However, the reportable condition listed above, 1999-41215-003, is considered to be a material weakness. 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 September 29, 2000.

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

Jim Petro
Auditor of State

September 29, 2000

**MADISON TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-41215-001

Noncompliance Citation

Ohio Revised Code § 5705.38 provides that on or about the first day of each year, the taxing authority of each subdivision shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget and the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

The Board of Township Trustees Record of Proceedings (Minutes) for December 29, 1997 reflect approval for the Clerk to set-up temporary appropriations for 1998 for one third the 1998 budget. The Minutes for December 29, 1998 reflect approval for the Clerk to set-up temporary appropriations for 1999 for one third the 1999 budget. However, the Minutes did not reflect the temporary appropriation amounts nor did the Township provide documentation to support that the Board of Trustees approved specific temporary appropriation amounts. Also, the Board of Township Trustees did not adopt annual appropriation measures nor take any further action concerning appropriations for 1998 and 1999. Therefore, since the temporary appropriations amounts could not be determined, and since temporary appropriation measures expire on the first day of April, the Township did not have any appropriations for 1998 and 1999.

FINDING NUMBER 1999-41215-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This Section also provides two "exceptions" to the above requirements:

- A. 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 Township 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 such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Trustees.

FINDING NUMBER 1999-41215-002
(Continued)

For 73% of the transaction tested for 1999 and 1998, each Township expenditure was accompanied by a purchase order that reflects the Clerk's certification that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. However, for 26% of these transactions tested the invoice date preceded the purchase order date. The Township's financial records reflect appropriation amounts that the Clerk posted. However, as noted in Finding 1999-41215-001, the Township did not have official appropriations in effect for 1998 and 1999. Therefore, the Clerk's certifications made during 1998 and 1999 are not valid.

FINDING NUMBER 1999-41215-003

Material Weakness

The small size of the Township does not allow for an adequate segregation of duties. The Township Clerk performs solely the accounting functions for the Township. Accordingly, to provide appropriate control, it is important that the Township have strong monitoring controls. While the Board approves all payments, there is no documentation of the extent to which the Board uses other information to monitor the Township's financial activity.

We recommend the Board of Township Trustees carefully review this matter and create policies and/or procedures that ensure the Township's financial records are prepared accurately and timely which would facilitate the Board's monitoring of the Township's financial activity and provide the Board necessary information to manage the Township. Furthermore, these policies and/or procedures may also assist the Township in complying with certain applicable provisions of the Ohio Revised Code and the Ohio Administrative Code. The policies and/or procedures should include, but are not limited to the following:

- Review the annual unaudited financial report submitted to the Auditor of State. The review should include the preparation of analytics or a comparable mechanism to identify unusual and/or significant fluctuations in amounts reflected in the financial report as compared with expectations (e.g. comparison to approved budget amounts or prior financial reports);
- Periodically review the process used to prepare interim financial information submitted to the Board. The review should include procedures that evaluate whether transactions are posted to the appropriate fund and line-item in the Appropriation and Receipt Ledgers (e.g., scanning of ledgers for deviations from expectations) and that totals of the Cash Journal and Appropriation and Receipt Ledgers are compared. The Board should consider using the Auditor of State's *Township Handbook* as guidance for these procedures;
- Review the monthly cash reconciliation, and support for significant reconciling items, including a comparison of reconciled balances to fund balances reflected in monthly Fund Status Reports;
- Periodically review the process used to ensure compliance with laws and regulations applicable to the Township and review the latest revision of the Auditor of State's *Ohio Compliance Supplement*;
- Periodically review the process used to prevent, deter, and detect fraud;
- These and any other reviews/monitoring performed by the Board of Township Trustees should be documented as evidence that the various procedures have been completed.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MADISON TOWNSHIP

COLUMBIANA 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
DECEMBER 7, 2000**