



**MADISON TOWNSHIP
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

**MADISON TOWNSHIP
WILLIAMS COUNTY**

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Mary Taylor, CPA Auditor of State

Madison Township
Williams County
14605 County Road O
Pioneer, Ohio 43554-9737

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 8, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Madison Township
Williams County
14605 County Road O
Pioneer, Ohio 43554-9737

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Williams County, (the Township) as of and for the years ended December 31, 2007 and 2006. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison Township, Williams County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 8, 2008

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$23,009	\$99,576	\$122,585
Intergovernmental	26,735	112,940	139,675
Earnings on Investments	200	305	505
Miscellaneous	525	5,129	5,654
	<u>50,469</u>	<u>217,950</u>	<u>268,419</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	30,985	7,556	38,541
Public Safety	2,406	31,054	33,460
Public Works	4,900	104,744	109,644
Human Services		2,354	2,354
Capital Outlay		6,180	6,180
Debt Service:			
Redemption of Principal	4,758	50,572	55,330
Interest and Other Fiscal Charges	138	8,712	8,850
	<u>43,187</u>	<u>211,172</u>	<u>254,359</u>
Total Cash Disbursements			
Total Cash Receipts Over Cash Disbursements	<u>7,282</u>	<u>6,778</u>	<u>14,060</u>
Other Financing Receipts:			
Other Financing Sources	<u>237</u>		<u>237</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	7,519	6,778	14,297
Fund Cash Balances, January 1	<u>3,744</u>	<u>68,966</u>	<u>72,710</u>
Fund Cash Balances, December 31	<u><u>\$11,263</u></u>	<u><u>\$75,744</u></u>	<u><u>\$87,007</u></u>

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

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$14,145	\$110,449	\$124,594
Intergovernmental	21,909	160,515	182,424
Earnings on Investments	205	285	490
Miscellaneous	6	8,959	8,965
	<u>36,265</u>	<u>280,208</u>	<u>316,473</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	29,217	9,422	38,639
Public Safety		27,564	27,564
Public Works	2,531	84,533	87,064
Health	4,732		4,732
Human Services		9,640	9,640
Capital Outlay		370,661	370,661
Debt Service:			
Redemption of Principal		378,134	378,134
Interest and Other Fiscal Charges		4,815	4,815
	<u>36,480</u>	<u>884,769</u>	<u>921,249</u>
Total Cash Disbursements			
Total Cash Disbursements Over Cash Receipts	<u>(215)</u>	<u>(604,561)</u>	<u>(604,776)</u>
Other Financing Receipts:			
Sale of Notes		613,210	613,210
Other Financing Sources	121		121
	<u>121</u>	<u>613,210</u>	<u>613,331</u>
Total Other Financing Receipts			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(94)	8,649	8,555
Fund Cash Balances, January 1	<u>3,838</u>	<u>60,317</u>	<u>64,155</u>
Fund Cash Balances, December 31	<u>\$3,744</u>	<u>\$68,966</u>	<u>\$72,710</u>

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

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Madison Township, Williams County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for 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.

Special Levy Fund - This fund receives property tax money for providing fire protection services and maintaining fire apparatuses and to purchase a fire truck for the Township.

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. ACCOUNTING CHANGE

In prior years, the Township incorrectly allocated revenues to various Township funds. This change had the following effect on the January 1, 2006, fund balances:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Cash Fund Balance, as previously reported, December 31, 2005	\$4,280	\$59,875
Funds incorrectly allocated	(442)	442
Cash Fund Balance, as restated at January 1, 2006	<u>\$3,838</u>	<u>\$60,317</u>

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$87,007	\$72,710

Deposits are insured by the Federal Depository Insurance Corporation.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,100	\$50,706	\$14,606
Special Revenue	229,350	217,950	(11,400)
Total	\$265,450	\$268,656	\$3,206

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,286	\$43,187	(\$2,901)
Special Revenue	297,874	211,172	86,702
Total	\$338,160	\$254,359	\$83,801

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,600	\$36,386	\$786
Special Revenue	620,089	893,418	273,329
Total	\$655,689	\$929,804	\$274,115

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,880	\$36,480	\$3,400
Special Revenue	270,727	884,769	(614,042)
Total	\$310,607	\$921,249	(\$610,642)

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

Contrary to Ohio law, expenditures totaling \$4,748 were paid from fuel excise taxes for general fund payroll and fire protection payroll.

Contrary to Ohio law, increases to appropriations in the Special Levy (2191, 2192, and 2193) funds in 2006 were not approved by the Board of Trustees. As a result, in 2006, expenditures exceeded appropriations by \$669,748 in the Special Levy (2193) fund, also contrary to Ohio law.

5. 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 the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

6. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan	<u>\$179,745</u>	4%

The Township acquired three separate short term loans in 2006 totaling \$346,425. The proceeds were used to acquire and equip a fire truck. These loans matured on August 18, 2006.

The Township used proceeds from a Fire levy to retire a portion of these loans. The remaining amounts were rolled into one long term loan in the amount of \$266,785. This loan, which matures on August 31, 2010, is secured by the Fire Truck and attached equipment. Repayment will be made from the proceeds of a tax levied for Fire protection.

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT – (CONTINUED)

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

Year ending December 31:	Bank Loan	
	Principal	Interest
2008	\$57,545	\$6,635
2009	59,890	4,290
2010	62,310	1,870
Total	\$179,745	\$12,795

7. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

8. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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Mary Taylor, CPA

Auditor of State

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

Madison Township
Williams County
14605 County Road O
Pioneer, Ohio 43554-9737

To the Board of Trustees:

We have audited the financial statements of Madison Township, Williams County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 8, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-003 and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain matters that we reported to the Township's management in a separate letter dated July 8, 2008.

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, providing an opinion 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 2007-001 and 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 8, 2008.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 8, 2008

MADISON TOWNSHIP
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code § 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.

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 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 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 Township.

2. **Blanket Certificate** – Fiscal officer 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.

Thirty-six percent of the 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.

**FINDING NUMBER 2007-001
 (Continued)**

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 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 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 the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code § 5705.38 requires a taxing authority to pass an appropriation measure each year. Such appropriation measures may then be amended or supplemented, but is required to comply with all provisions of law that governed the taxing authority when making the original appropriation per Ohio Revised Code § 5705.40. The taxing authority for a township is the Township Board of Trustees per Ohio Revised Code § 5705.01(C).

Additionally, Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

In accordance with the Ohio Revised Code, the Township passed an annual appropriation measure. Subsequently, however, the Township Fiscal Officer made changes to the adopted appropriation measure, increasing appropriations in the Special Fire Levy Funds. As stated above, any amendment or supplement to the original appropriation measure is required to be done in compliance with all provisions of law that governed the original appropriation. Only the taxing authority of the entity has the ability to pass an appropriation measure and amend or supplement such. The Fiscal Officer was without authority to make the amendment to the original appropriation measure.

The legally adopted appropriations were different than the posted appropriations in the following amounts:

<u>Year</u>	<u>Fund</u>	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Variance</u>
As of December 31, 2006:				
	Special Fire Levy Fund (2191)	20,018	24,663	(4,645)
	Special Fire Levy Fund (2192)	35,074	38,782	(3,708)
	Special Fire Levy Fund (2193)	48,152	449,925	(401,773)

For these reasons, the additional monies were not deemed to be appropriated. In addition, the township failed to record the retirement and reissuance of note debt in 2006. As a result, Special Fire Levy Fund (2193) expenditures exceeded appropriations by \$669,748 violating ORC § 5705.41(B).

**FINDING NUMBER 2007-002
 (Continued)**

The Fiscal Officer should have requested the Board of Trustees approve the change to appropriations. We recommend the Fiscal Officer request the approval of the Board of Trustees for all appropriation changes above the original appropriations.

FINDING NUMBER 2007-003

Noncompliance Citation/Material Weakness

Ohio Revised Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2005-036. This section requires compensation of a township trustee must be paid from the Township General Fund or from such other restricted township fund, in such proportions based on the amount of time spent on matters related to the services rendered. In additions, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the 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(s) performed, in a manner similar to trustee paid per diem compensation. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the management letter for the Madison Township Audit for the years ending December 31, 2005 and 2004.

The Township established administrative procedures to document the proportionate amount of Trustee's salaries chargeable to other Township funds as required by Ohio Revised Code § 505.24(C) and OAG Opinion 2004-036. During 2007, however, the fund allocations of Trustees salaries did not agree with the administrative procedures established by the Township as follows:

<u>Fund</u>	<u>Documented Allocation</u>	<u>Recorded Allocation</u>	<u>Variance</u>
General Fund	\$4,266		\$4,266
Special Revenue Funds			
Gas Tax Fund	11,768	\$16,516	(4,748)
Road and Bridge Fund	5,781	8,258	(2,477)
Special Fire Levy Fund	2,959		2,959
Total Special Revenue Funds	20,508	24,774	(\$4,266)
Total All Funds	\$24,774	\$24,774	

An adjustment was made to the accompanying financial statements to correct this fund allocation. The Fiscal Officer should follow the administrative procedures established and allocate the Trustee's salary amounts accordingly.

FINDING NUMBER 2007-004

Material Weakness – Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments.

1. In 2006, debt service expenditures of \$103,500 were misposted as “Capital Outlay” instead of “Redemption of Principal” (\$103,228) and “Interest and Other Fiscal Charges” (\$272) in the Special Levy fund (2193).
2. In 2006, grant monies of \$50,000 were misposted as “Sale of Notes” instead of “Intergovernmental Revenue” in the Special Levy fund (2193).
3. In 2006, the Township did not book the proceeds and retirement of debt service monies in the amount of \$266,785.
4. In 2007, debt service expenditures of \$4,896 were misposted as “Capital Outlay” instead of “Redemption of Principal” (\$4,758) and “Interest and Other Fiscal Charges” (\$138) in the General fund.

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review the Township Handbook's chart of accounts to ensure all accounts are being properly posted to the financial statements.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code §§ 5705.10, 5735.29, unallowable disbursement of monies.	Yes	



Mary Taylor, CPA
Auditor of State

MADISON TOWNSHIP

WILLIAMS 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
JULY 29, 2008**