



Dave Yost • Auditor of State



**MADISON TOWNSHIP  
RICHLAND COUNTY**

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# Dave Yost • Auditor of State

## ACCOUNTANTS' REPORT

Madison Township  
Richland County  
817 Expressview Drive  
Mansfield, Ohio 44905

To the Board of Trustees:

We have selectively tested certain accounts, financial records, files and reports of Madison Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2011 and 2010 following Ohio Admin. Code §117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

As discussed further described in Note 10 to the financial statements, the Township was declared in Fiscal Caution by the Auditor of State on May 17, 2012. Note 10 describe management's plans regarding this matter. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We intend this report solely for the information and use of the management, the Board of Trustees and others within the Township authorized to receive this report under Section 117.26, Ohio Revised Code and it is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

November 30, 2012

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**Madison Township**  
Richland County, Ohio  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2011  
Unaudited

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$111,805	\$1,326,007		\$1,437,812
Charges for Services		290,474		290,474
Licenses, Permits and Fees	11,181			11,181
Special Assessments		25,806		25,806
Intergovernmental	108,244	494,082		602,326
Earnings on Investments	426	172		598
Miscellaneous	4,842	228,376		233,218
<i>Total Cash Receipts</i>	<u>236,498</u>	<u>2,364,917</u>		<u>2,601,415</u>
<b>Cash Disbursements</b>				
Current:				
General Government	167,836	29,897		197,733
Public Safety		1,820,608		1,820,608
Public Works	33,020	644,488		677,508
Other		274		274
Capital Outlay		33,904		33,904
<i>Total Cash Disbursements</i>	<u>200,856</u>	<u>2,529,171</u>		<u>2,730,027</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>35,642</u>	<u>(164,254)</u>		<u>(128,612)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	12,143	10,354		22,497
Transfers Out		(22,497)		(22,497)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>12,143</u>	<u>(12,143)</u>		
<i>Net Change in Fund Cash Balances</i>	47,785	(176,397)		(128,612)
<i>Fund Cash Balances, January 1</i>	<u>(67,579)</u>	<u>354,951</u>	<u>(\$17,938)</u>	<u>269,434</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		200,497		200,497
Unassigned (Deficit)	(19,794)	(21,943)	(17,938)	(59,675)
<i>Fund Cash Balances (Deficits), December 31</i>	<u>(\$19,794)</u>	<u>\$178,554</u>	<u>(\$17,938)</u>	<u>\$140,822</u>

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

**Madison Township**  
Richland County, Ohio  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2010  
Unaudited

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$87,886	\$1,297,863		\$1,385,749
Charges for Services		266,834		266,834
Licenses, Permits and Fees	12,980			12,980
Special Assessments		25,648		25,648
Intergovernmental	88,903	611,077		699,980
Earnings on Investments	511	122		633
Miscellaneous	882	55,433		56,315
<i>Total Cash Receipts</i>	<u>191,162</u>	<u>2,256,977</u>		<u>2,448,139</u>
<b>Cash Disbursements</b>				
Current:				
General Government	249,643	27,123		276,766
Public Safety		1,695,035		1,695,035
Public Works		656,585		656,585
Other		977		977
Capital Outlay		20,706		20,706
<i>Total Cash Disbursements</i>	<u>249,643</u>	<u>2,400,426</u>		<u>2,650,069</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(58,481)</u>	<u>(143,449)</u>		<u>(201,930)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		22,497		22,497
Transfers Out	(12,143)	(10,354)		(22,497)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(12,143)</u>	<u>12,143</u>		
<i>Net Change in Fund Cash Balances</i>	<u>(70,624)</u>	<u>(131,306)</u>		<u>(201,930)</u>
<i>Fund Cash Balances, January 1</i>	<u>3,045</u>	<u>486,257</u>	<u>(\$17,938)</u>	<u>471,364</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		401,279		401,279
Unassigned (Deficit)	(67,579)	(46,328)	(17,938)	(131,845)
<i>Fund Cash Balances (Deficits), December 31</i>	<u>(\$67,579)</u>	<u>\$354,951</u>	<u>(\$17,938)</u>	<u>\$269,434</u>

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



**MADISON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
Unaudited**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

Madison Township, Richland County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Richland County Sheriff's Department to provide police protection to the residents of the Township.

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. Deposits 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 accounts for and reports all financial resources except those required to be accounted for and reported in another fund.

**MADISON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
Unaudited  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

Road and Bridge Fund - This fund accounts for and reports property tax money restricted for constructing, maintaining, and repairing Township roads and bridges.

Fire Fund - This fund accounts for and reports property tax money restricted for the purpose of providing emergency medical services to the Township.

EMS Fund - This fund is used to account for and report committed charges for services for the purpose of providing emergency medical services to the Township.

**3. Debt Service Fund**

Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

**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 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.

**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 carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**MADISON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
Unaudited  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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.

**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.

**MADISON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
Unaudited  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. 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.

**H. Accumulated 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 is not reflected as a liability under the Township's basis of accounting.

**I. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**2. Equity in Pooled Deposits and Investments**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$139,512	\$233,130
STAR Ohio	1,310	36,304
Total deposits and investments	<u>\$140,822</u>	<u>\$269,434</u>

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

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

**MADISON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
Unaudited  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$199,100	\$248,641	\$49,541
Special Revenue	2,206,700	2,375,271	168,571
Debt Service	50,000		(50,000)
Total	\$2,455,800	\$2,623,912	\$168,112

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$222,825	\$202,382	\$20,443
Special Revenue	2,800,413	2,600,295	200,118
Total	\$3,023,238	\$2,802,677	\$220,561

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$195,048	\$191,162	(\$3,886)
Special Revenue	2,161,500	2,279,474	117,974
Debt Service	50,000		(50,000)
Total	\$2,406,548	\$2,470,636	\$64,088

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$283,507	\$262,914	\$20,593
Special Revenue	2,463,134	2,416,397	46,737
Total	\$2,746,641	\$2,679,311	\$67,330

**MADISON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
Unaudited  
(Continued)**

**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 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.

**5. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Road Equipment Bonds	\$84,500	4.250%

The Township issued road equipment bonds to repay a loan to the United States Department of Agriculture for the purchase of a dump truck. The Township's taxing authority collateralized the bonds.

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

	Road Equipment Bonds
Year ending December 31:	
2012	\$10,432
2013	10,494
2014	10,588
2015	10,565
2016	10,529
2017-2021	52,706
Total	\$105,314

**MADISON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
Unaudited  
(Continued)**

**6. Capital Lease**

The Township has entered into capital lease agreements to finance the acquisition of an ambulance and turn out gear for the fire department. The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2011.

Year Ending December 31,	2008 Ambulance	Turn Out Gear
2012	\$35,761	\$21,357
2013	29,801	21,357
2014		21,357
2015		3,119
Total Minimum Lease Payments	65,562	67,190
Less Amounts Representing Interest	(12,391)	(6,605)
Present Value of Future Minimum Lease Payments	<u>\$53,171</u>	<u>\$60,585</u>

**7. Retirement Systems**

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2011 and 2010, OPERS members contributed 11% 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, 2011.

**8. 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.

**Risk Pool Membership**

The Township belongs to the Ohio Plan Risk Management, Inc. (the "Plan"), formerly the Ohio Government Risk Management Plan, a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to 725 Ohio governments ("Members") as of December 31, 2009.

**MADISON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
Unaudited  
(Continued)**

**8. Risk Management (Continued)**

Pursuant to Section 2744,081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carries, except the Plan retains the lesser of 15 percent or \$37,000 of casualty losses and the lesser 10 percent or \$100,000 of property losses. Effective November 1, 2009 the Plan retains the lesser of 17.5 percent of \$43,750 of casualty losses and the lesser of 10 percent or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statement conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	<u>(5,328,761)</u>	<u>(4,845,056)</u>
Net Assets	<u>\$7,172,519</u>	<u>\$7,191,485</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's Website, [www.ohioplan.org](http://www.ohioplan.org).

**9. Related Organization – Madison Water District**

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



**MADISON TOWNSHIP  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
Unaudited  
(Continued)**

**10. Fiscal Analysis**

On May 17, 2012, the Township was declared in Fiscal Caution by the Auditor of State. The Township's management has prepared and provided an acceptable plan to the Auditor of State. The Township is implementing changes and is on schedule addressing remaining items.

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# Dave Yost • Auditor of State

## ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Madison Township  
Richland County  
817 Expressview Drive  
Mansfield, Ohio 44905

To the Board of Trustees:

We have selectively tested certain accounts, financial records, files and reports of Madison Township, Richland County, Ohio, (the Township) as of and for the years ended December 31, 2011 and 2010 following the Ohio Admin. Code §117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

### Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2011-013 through 2011-017.

### Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements applicable to the Township. Noncompliance with these requirements could impact the Township's ability to determine financials statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2011-001 through 2011-012.

The Township's response to the findings identified in our engagement is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 30, 2012

**MADISON TOWNSHIP  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

**FINDING NUMBER 2011-001**

**Noncompliance – Negative Cash Fund Balances:**

**Ohio Rev. Code Section 5705.10(H)** requires monies paid into any fund be used only for the purposes for which such fund is established.

At December 31, 2011 and 2010, the following funds had negative cash fund balances:

	<u>2011</u>	<u>2010</u>
General Fund	(\$19,791)	(\$67,579)
<u>Special Revenue Fund:</u>		
Road and Bridge Fund	(30,886)	(46,328)
<u>Debt Service Fund:</u>		
General Bond/Note Retirement Fund	(17,938)	(17,938)

Negative cash fund balances are an that indication revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored to prevent future expenditures in excess of available resources, and transactions should be posted timely and accurately to reflect accurate fund balances. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

**FINDING NUMBER 2011-002**

**Noncompliance – Certification of Tax Levies:**

**Ohio Rev. Code Section 5705.34** requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner.

The Township did not pass an ordinance or resolution certifying the necessary tax levies during 2010 and 2011.

The Township should certify the levies with the county auditor and maintain documentation to ensure it meets the requirements of the Ohio Rev. Code Section 5705.34

**FINDING NUMBER 2011-003**

**Noncompliance – Certification of Available Resources:**

**Ohio Rev. Code Section 5705.36(A)(1)** states in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget.

The Township did not certify the total amount from all sources available for expenditures as of December 31, 2010 to the County Auditor.

**FINDING NUMBER 2011-003 (Continued)**

The Township should complete and submit to the County Auditor the standard form Certificate of Total Amount From All Sources Available for Expenditures, and Balances. By correctly completing the form, the Township will provide the correct information to the County Auditor for entering the Unencumbered Beginning Balance on the Amended Certificate of Estimated Resources.

**FINDING NUMBER 2011-004**

**Noncompliance – Appropriations in Excess of Actual Resources:**

**Ohio Rev. Code Section 5705.36(A)(4)** requires upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2011, total appropriations exceeded total actual resources (fund balance plus actual receipts) as follows:

	<u>Total Actual Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
<u>Special Revenue Funds:</u>			
Motor Vehicle License Fund	\$37,040	\$40,680	(\$3,640)
Gasoline Tax Fund	143,276	182,000	(38,724)
Road and Bridge Fund	361,815	415,001	(53,186)
Fire District Fund	1,431,590	1,490,655	(59,065)
Fire Education Fund	468	6,500	(6,032)
Permissive Sales Tax Fund	238,908	272,960	(34,052)

At December 31, 2010, total appropriations exceeded total actual resources (fund balance plus actual receipts) as follows:

	<u>Total Actual Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
General Fund	\$266,925	\$276,748	(\$9,823)
<u>Special Revenue Funds:</u>			
Fire Education Fund	4,085	6,960	(2,875)
FEMA Fund	3,205	15,000	(11,795)

The Board should monitor appropriations versus actual resources to help avoid overspending. Additionally, if actual revenues are less than expected a reduced certificate of estimated resources should be obtained from the County Auditor and appropriations should be reduced accordingly.

**FINDING NUMBER 2011-005**

**Noncompliance – Appropriations in Excess of Estimated Resources:**

**Ohio Rev. Code Section 5705.39** requires total appropriations from each fund to not exceed total estimated fund resources from each fund. This section also requires the Township to obtain a County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2011, total appropriations exceeded total estimated resources as follows:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<u>Special Revenue Funds:</u>			
Motor Vehicle License Fund	\$34,000	\$40,680	(\$6,680)
Gasoline Tax Fund	80,000	182,000	(102,000)
Road and Bridge Fund	286,500	415,001	(128,501)
Fire District Fund	1,370,700	1,490,655	(119,955)
Fire Education Fund	0	6,500	(6,500)
Permissive Sales Tax Fund	235,500	272,960	(37,460)

At December 31, 2010, total appropriations exceeded total estimated resources as follows:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$270,811	\$276,748	(\$5,937)
<u>Special Revenue Funds:</u>			
Fire Education Fund	2,739	6,960	(4,221)
FEMA Fund	3,205	15,000	(11,795)
Permissive Sales Tax Fund	185,059	194,000	(8,941)

The Township should monitor appropriations versus estimated resources to help avoid overspending.

**FINDING NUMBER 2011-006**

**Noncompliance – Expenditures in Excess of Appropriations:**

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

At December 31, 2011, fund level expenditures exceeded appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<u>Special Revenue Funds:</u>			
Lighting Assessment Fund	\$27,000	\$40,648	(\$13,648)
Fire District Fund	1,493,105	1,537,704	(44,599)

**FINDING NUMBER 2011-006 (Continued)**

At December 31, 2010, fund level expenditures exceeded appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<u>Special Revenue Funds:</u>			
Permissive Sales Fund	\$194,504	\$211,642	(\$17,138)

The Township should frequently compare actual expenditures to appropriations at the fund level and at the object level (legal level of control) to avoid overspending.

**FINDING NUMBER 2011-007**

**Noncompliance – Certification of Expenditures:**

**Ohio Rev. Code Section 5705.41(D)** provides no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. 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.

**“Then and Now” Certificate** – If the fiscal officer can certify both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), 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 the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**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.

**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.

70 percent of expenditures tested were not certified prior to incurring the obligation. It was also found none of the exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.



### **FINDING NUMBER 2011-007 (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 received prior approval. To improve control over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to the 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 2011-008**

#### **Noncompliance – Budgetary Accounting:**

**Ohio Admin. Code Section 117-2-02(C)(1)** requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This includes designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Our testing revealed weaknesses with respect to the Township's budgetary processes, including, but not limited to the following:

- The December 31, 2011 and 2010 estimated receipts from the Certificate of Estimated Resources plus amendments did not agree to the accounting system for seven funds in 2011 and eight funds in 2010. The variances for 2011 ranged from \$2,300 to (\$59,500) and for 2010 ranged from \$10,748 to (\$177,000).
- The December 31, 2011 and 2010 appropriations from the original appropriation ordinance plus Board approved amendments did not agree to the accounting system for six funds in 2011 and three funds in 2010. The variances for 2011 ranged from (\$200) to (\$23,107) and for 2010 ranged from (\$720) to (\$20,500).

The Township should periodically review the computerized budgetary reports to ensure appropriation and estimated receipt amounts are posted accurately and timely. This will help the Township to better monitor its budget performance and help ensure compliance with budgetary laws and regulations.

### **FINDING NUMBER 2011-009**

#### **Noncompliance – Pension System Withholdings:**

**Ohio Rev. Code Section 742.01 (L)(1)** states except as otherwise provided in this division, "salary" means all compensation, wages, and other earnings paid to an employee by reason of employment, but without regard to whether compensation, wages, or other earnings are treated as deferred income for federal income tax purposes. "Salary" includes payments for overtime that are made not later than the payroll following the payroll period in which the overtime is worked.

### FINDING NUMBER 2011-009 (Continued)

During 2011, it was noted 16 firefighters did not have Ohio Police and Fire Pension Fund (OP&F) amounts withheld for holiday and longevity pay for a total of \$10,166 (\$7,176 employer and \$2,990 employee). Without withholding the pension amounts from payments that are included as "salary", the Township could incur late payments and penalties from OP&F and could affect the retirement amount available to those employees upon retirement.

The Township should ensure all payments meeting the definition of "salary" as defined by the Ohio Revised Code have the appropriate pension withholding. During 2012, the Township paid the employee and employer portion of the pension amount due.

### FINDING NUMBER 2011-010

#### Noncompliance – Taxable Fringe Benefits:

**26 U.S.C. Section 1.61-21** requires consideration of whether employer-provided "fringe" benefits, such as use of government automobiles for private purposes, constitute taxable income to be reported and withheld upon. In addition, **Internal Revenue Service Taxable Fringe Benefit Guide, January 2012, Section 3, Part 15** indicates work clothes and uniform reimbursements are excluded from wages of an employee if the clothing and uniforms are: Specifically required as a condition of employment and; Not worn or adaptable to general usage as ordinary clothing.

During 2011 and 2010, the Township provided road workers with a \$500 uniform and \$75 boot allowance. Employees were not required to submit receipts documenting their purchases and the Township did not include these allowances on the employees' W-2 Forms.

The Township should include the employee uniform allowances as part of gross income on employees' W-2s or require detail receipts of items purchased by employees and ensure the Township only reimburses employees for clothing items meeting the requirements of a uniform.

This matter will be referred to the Internal Revenue Service.

### FINDING NUMBER 2011-011

#### Noncompliance – Investment Policy:

**Ohio Rev. Code Section 135.14** indicates investments or deposits under Section 135.14 cannot be made unless a written investment policy approved by the treasurer or governing board is on file with the Auditor of State, with the following two exceptions:

- The treasurer or governing board invests only in interim deposits, no-load money market mutual funds or Star Ohio.
- The subdivision's average annual portfolio of investments is \$100,000 or less.

If either of the two exceptions is met, a written investment policy need not be filed with the Auditor of State; however, the treasurer or governing board must certify to the Auditor of State the treasurer or governing body will comply and is in compliance with the provisions of Section 135.01 to 135.21.

### **FINDING NUMBER 2011-011 (Continued)**

While the Township only invested in interim deposits and STAR Ohio, neither the Fiscal Officer nor the Township Board certified to the Auditor of State the Township will comply and is in compliance with the provisions of Ohio Rev. Code Section 135.01 to 135.21. The Fiscal Officer and Township Board should certify to the Auditor of State the Township will comply and is in compliance with the provisions of Ohio Rev. Code Section 135.01 to 135.21.

### **FINDING NUMBER 2011-012**

#### **Noncompliance – Credit Card Expenditures:**

**Madison Township Credit Card Policy, March 7, 2005**, requires, in part:

- All Township credit card purchases must be tax exempt.
- All Township credit card purchases must be approved, in advance, by a supervisor.
- When Township credit card purchases are made, the receipt must be turned into a supervisor immediately. The supervisor shall then give to the secretary to reconcile with the monthly statement.

Our testing of eight credit card disbursements revealed four instances where credit card bills were not approved by a supervisor prior to purchase, four instances where purchases ranging from \$3 to \$540 did not have supporting receipts, and eight instances where payments for sales tax were included.

The Township should implement procedures to help ensure its credit card policy is followed. This includes, but is not limited to, ensuring all purchases are tax exempt, approved in advance by a supervisor, and properly supported with receipts.

### **FINDING NUMBER 2011-013**

#### **Internal Control - Bank Reconciliations**

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance each month. Bank reconciliation means accounting for the differences between the balance of the bank statement(s) and the cash and investment balances per the Township's records.

Throughout 2011 and 2010, the Township was unable to reconcile the book balance to the bank balance. This resulted from a number of errors, such as numerous voided checks on the system, not posting receipt and disbursement transactions in the Township ledgers, not posting timely, not depositing timely, and misspostings between funds. As a result of these various errors, the Auditor of State's Local Government Services Division was hired to help the Township reconcile their books.

Without complete and accurate monthly bank reconciliations, the Township's internal control is significantly weakened which could hinder management's timely detection of errors or irregularities and effectiveness in making informed decisions. The Township should complete monthly bank reconciliations in a timely manner. Copies of the monthly bank reconciliations and listing of outstanding checks and other reconciling items should be provided to the Board each month for review. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month-to-month and all reconciling matters should be appropriately documented.

#### **FINDING NUMBER 2011-014**

##### **Internal Control - Disbursements**

Our testing of disbursements revealed the following:

- The check register's check dates and cash journal's check dates did not always agree.
- There was a batch of 130 checks written in March 2011 recorded in the cash journal as one check number, but cleared the bank as a different check number.
- Checks were not always issued in sequence. During June 2011, the Cash Journal showed one check sequence used for some of the month, and then the check sequence numbers changed during the month, and then went back to the original check sequence numbers.
- There was one check signed by only one Trustee instead of the required two Trustee signatures contrary to Ohio Rev. Code Section 507.11(B).

These weaknesses could result in financial statement and cash reconciliation errors, and improper expenditures of Township funds.

The Township should exercise due care when entering the checks into the computer system to ensure the correct check dates and numbers are used, as well as the correct check sequence. In addition, all checks should be reviewed and signed by at least two Trustees before being paid pursuant to Ohio Rev. Code Section 507.11(B).

#### **FINDING NUMBER 2011-015**

##### **Internal Control - EMS Billing Records**

The Township fiscal officer does not receive billing and payment reports for the Township ambulance billing service. The revenue account postings are made from the cash receipts noted in the bank statement and there is no reconciliation between the fire department's EMS run log and ambulance billing service receipts. Additionally, write-offs of uncollectable accounts are authorized by the fire chief but are not approved by the Trustees.

The failure to reconcile ambulance fee receipts to the EMS run log could result in the Township failing to receive all payments due and other accounting errors. Additionally, failure to approve account write offs could result in lost receipts.

The Township should reconcile ambulance run cash receipts to the fire departments run log and billing services reports monthly. Additionally, write-offs of uncollectable accounts should be formally approved by the Trustees. These procedures will help ensure more accurate and complete financial reporting and help ensure the Township receives all revenues due to them.

**FINDING NUMBER 2011-016**

**Internal Control - Stale Dated Checks**

Our Cash reconciliation testing revealed 24 general account checks ranging from \$2 to \$1,050 and totaling \$2,982 were included on the Township's December 31, 2011 outstanding check list which were between eight months to two years old.

The Township should follow up with these individuals/vendors to determine if the checks can be reissued. If the individuals/vendors cannot be contacted, policies and procedures for the disposition of these old outstanding checks should be established and implemented pursuant to Ohio Rev. Code Section 9.39 (Auditor of State Management Advisory Service bulletin 91-011).

**FINDING NUMBER 2011-017**

**Internal Control – Interfund Transfers**

**Ohio Rev. Code Sections 5705.05 -.06, .14, .15, and .16** include various requirements related to interfund transfers.

Our minutes review noted Trustees' approval of a \$17,938 transfer on January 4, 2010 and again on December 19, 2011, from the General Fund to the Debt Service Fund to alleviate a negative fund balance. However, these transfers were never posted to the accounting records. We also noted, Trustees' approval of a \$10,354 transfer on February 1, 2010 from the Road and Bridge Fund to the Fire District Fund to correct prior misspostings. This transfer was posted to the books in 2010 but was then reversed on April 28, 2011 without subsequent trustee approval.

The Township should ensure all approved transfers are in accordance with Ohio Rev. Code Sections 5705.05, .06, .15 and .16, are recorded to the Townships accounting records. Additionally, Trustees should review monthly receipt and expenditures reports to help ensure all authorized transactions have been recorded.

**Officials' Response:** The Township will evaluate the findings and take appropriate action.

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**MADISON TOWNSHIP  
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2009-01	<b>Bank Reconciliations</b> – Material Weakness – The Township did not completely and accurately reconcile the balance of the bank to the balance of the books.	No	See Finding Number 2011-013
2009-02	<b>Financial Reporting</b> – Material Weakness – There were numerous errors in posting receipt and expenditure transactions.	No	See Finding Number 2011-013
2009-03	<b>Payroll Reporting</b> – Material Weakness – There were a number of unusual payroll practices to record salaries/wages of employees.	Yes	Finding no longer valid.
2009-04	<b>Budgetary Reporting</b> – Significant Deficiency – Budgeted receipts, appropriations, and amendments were not accurately posted to the accounting system.	No	See Finding Number 2011-008
2009-05	<b>Ohio Rev. Code Section 5705.10(H)</b> – The Township had two funds with negative fund balances in 2009 and 2008.	No	See Finding Number 2011-001
2009-06	<b>Ohio Rev. Code Section 5705.39</b> – The Township had appropriations exceeding estimated resources during 2009 and 2008.	No	See Finding Number 2011-005
2009-07	<b>Ohio Rev. Code Section 5705.36(A)(4)</b> – The Township had appropriations exceeding actual resources during 2009 and 2008.	No	See Finding Number 2011-004
2009-08	<b>Ohio Rev. Code Section 5705.41(B)</b> – The Township had expenditures exceeding appropriations during 2009 and 2008.	No	See Finding Number 2011-006

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# Dave Yost • Auditor of State

**MADISON TOWNSHIP**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 18, 2012**