



Dave Yost • Auditor of State

MADISON TOWNSHIP
GUERNSEY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Madison Township
Guernsey County
18818 Kansas Road
Salesville, Ohio 43778

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of Madison Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Madison Township, Guernsey County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2012 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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
Columbus, Ohio

April 8, 2016

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**MADISON TOWNSHIP
GUERNSEY COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$30,148	\$29,194	\$0	\$0	\$59,342
Intergovernmental	5,170	104,266	0	10,323	119,759
Earnings on Investments	55	9	0	0	64
Miscellaneous	12,657	0	0	0	12,657
<i>Total Cash Receipts</i>	<u>48,030</u>	<u>133,469</u>	<u>0</u>	<u>10,323</u>	<u>191,822</u>
Cash Disbursements					
Current:					
General Government	40,178	0	0	0	40,178
Public Safety	0	6,014	0	0	6,014
Public Works	6,634	85,520	0	0	92,154
Health	2,559	0	0	0	2,559
Capital Outlay	0	24,000	0	1,500	25,500
<i>Total Cash Disbursements</i>	<u>49,371</u>	<u>115,534</u>	<u>0</u>	<u>1,500</u>	<u>166,405</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,341)</u>	<u>17,935</u>	<u>0</u>	<u>8,823</u>	<u>25,417</u>
Other Financing Receipts					
Other Financing Sources	51,166	0	0	0	51,166
<i>Total Other Financing Receipts</i>	<u>51,166</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>51,166</u>
<i>Net Change in Fund Cash Balances</i>	49,825	17,935	0	8,823	76,583
<i>Fund Cash Balances, January 1</i>	<u>5,438</u>	<u>36,274</u>	<u>28</u>	<u>8,616</u>	<u>50,356</u>
Fund Cash Balances, December 31					
Restricted	0	39,420	28	17,439	56,887
Committed	0	14,789	0	0	14,789
Unassigned (Deficit)	55,263	0	0	0	55,263
<i>Fund Cash Balances, December 31</i>	<u>\$55,263</u>	<u>\$54,209</u>	<u>\$28</u>	<u>\$17,439</u>	<u>\$126,939</u>

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

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$29,291	\$31,655	\$0	\$0	\$60,946
Intergovernmental	5,959	99,552	0	8,372	113,883
Earnings on Investments	25	20	0	0	45
Miscellaneous	904	0	0	0	904
<i>Total Cash Receipts</i>	<u>36,179</u>	<u>131,227</u>	<u>0</u>	<u>8,372</u>	<u>175,778</u>
Cash Disbursements					
Current:					
General Government	50,039	0	0	0	50,039
Public Safety	0	9,100	0	0	9,100
Public Works	2,649	129,821	0	5,000	137,470
Health	6,570	0	0	0	6,570
Capital Outlay	0	244	0	0	244
<i>Total Cash Disbursements</i>	<u>59,258</u>	<u>139,165</u>	<u>0</u>	<u>5,000</u>	<u>203,423</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,079)</u>	<u>(7,938)</u>	<u>0</u>	<u>3,372</u>	<u>(27,645)</u>
Other Financing Receipts					
Other Financing Sources	301	0	0	0	301
<i>Total Other Financing Receipts</i>	<u>301</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>301</u>
<i>Net Change in Fund Cash Balances</i>	<u>(22,778)</u>	<u>(7,938)</u>	<u>0</u>	<u>3,372</u>	<u>(27,344)</u>
<i>Fund Cash Balances, January 1</i>	<u>28,216</u>	<u>44,212</u>	<u>28</u>	<u>5,244</u>	<u>77,700</u>
Fund Cash Balances, December 31					
Restricted	0	32,087	28	8,616	40,731
Committed	0	4,187	0	0	4,187
Assigned	5,438	0	0	0	5,438
<i>Fund Cash Balances, December 31</i>	<u>\$5,438</u>	<u>\$36,274</u>	<u>\$28</u>	<u>\$8,616</u>	<u>\$50,356</u>

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

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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, Guernsey 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. The Township contracts with the Antrim Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provision of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The Township has an interest-bearing checking account.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Capital Project Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Public Works Commission Projects Fund – This fund receives funding from the Guernsey County Engineer's Office for road repairs.

4. Debt Service Fund

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds

General Bond-Retirement Debt Service Fund – This fund is used for the repayment of debt. The fund had no activity in 2013 or 2012.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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 2013 and 2012 budgetary activity appears in Note 4.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into four 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. 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.

2. 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.

3. 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.

4. Unassigned

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

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

G. Property, Plant, and Equipment

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

2. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2012, the Township implemented Governmental Accounting Standards Board Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. EQUITY IN POOLED DEPOSITS

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

	2013	2012
Demand deposits	\$126,939	\$50,356

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012, follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,966	\$99,196	\$15,230
Special Revenue	129,257	133,469	4,212
Capital Projects	10,323	10,323	0
Total	\$223,546	\$242,988	\$19,442

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,091	\$49,371	\$44,720
Special Revenue	148,624	115,534	33,090
Debt Service	28	0	28
Capital Projects	11,691	1,500	10,191
Total	\$254,434	\$166,405	\$88,029

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,690	\$36,480	\$3,790
Special Revenue	126,773	131,227	4,454
Capital Projects	8,372	8,372	0
Total	\$167,835	\$176,079	\$8,244

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,181	\$59,258	\$923
Special Revenue	170,686	139,165	31,521
Debt Service	28	0	28
Capital Projects	13,616	5,000	8,616
Total	\$244,511	\$203,423	\$41,088

Contrary to Ohio Rev. Code § 5705.10(D), several intergovernmental receipts were incorrectly recorded on the Township's ledgers.

Contrary to Ohio Rev. Code §5705.10(I), certain Township expenditures were paid from an incorrect fund.

Contrary to Ohio Rev. Code § 5705.41(D), the Township did not properly certify the availability of funds prior to purchase commitment for several expenditures.

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.

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

6. RETIREMENT SYSTEM

The Township's employees and elected officials 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 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$3,608	\$4,152

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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Dave Yost • Auditor of State

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

Madison Township
Guernsey County
18818 Kansas Road
Salesville, Ohio 43778

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Madison Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated April 8, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the Township has adopted Government Accounting Standards Board Statement No.54.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2013-001 through 2013-008, 2013-010 and 2013-011 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2013-009 and 2013-012 described in the accompanying Schedule of Findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-009.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 8, 2016

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Finding for Recovery Repaid Under Audit/Noncompliance/Material Weakness

Ohio Rev. Code § 505.24(A) and (B) set forth the maximum amounts of compensation for Township Trustees based on a Township's annual budget amount.

The Township's annual budget for 2012 fell between \$100,001-250,000. Based on this budget amount, Ohio Rev. Code § 505.24(A) and (B) limit the annual salary of the Trustees to \$7,332. The Township, however, did not pay the Trustees in accordance with Ohio Rev. Code. Trustees were each paid \$8,490 in 2012. As a result, each Trustee was over-compensated by \$1,062 in 2012.

The Township's annual budget for 2013 fell between \$100,001-250,000 for the months January through March, and the annual budget fell between \$250,000-500,000 for the months April through December. Based on these budget amounts, Ohio Rev. Code § 505.24(A) and (B) limit the annual salary of the Trustees to \$8,200. The Township, however, did not pay the Trustees in accordance with Ohio Rev. Code. Trustees were each paid \$7,493 in 2013. As a result, each Trustee was under-compensated by \$708 in 2013. As a result, each Trustee was overpaid for the period January 1, 2012 through December 31, 2013 by \$354.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued for money illegally expended against Township Trustees Corey Gray, David Lyons, and James Sudduth, Jr., and their surety company, Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$354 each, in favor of the General Fund, in the amount of \$326 and in favor of the Gasoline Tax Fund, Special Revenue Fund, in the amount of \$736.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Township Trustees Corey Gray, David Lyons, James E. Sudduth, Jr. each paid \$354 to the Township and the Fiscal Officer deposited these monies into the Township's bank account.

FINDING NUMBER 2013-002

Finding for Recovery/Noncompliance/Material Weakness

Ohio Rev. Code § 507.09(A) and (D) set the maximum amounts of compensation for a township Fiscal Officer based on a township's annual budget amount

During 2012, the Township's annual budgets fell between \$100,001-250,000. Based on this budget amount, Ohio Rev. Code § 507.09(A) and (D) limit the annual salary of the Fiscal Officer to \$9,903. The Township, however, did not pay the Fiscal Officer in accordance with Ohio Revised Code. During 2012, Fiscal Officer Marijane Raber was paid \$12,497. As a result, the Fiscal Officer was over-compensated by \$2,594 in 2012.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-002 (Continued)

Finding for Recovery/Noncompliance/Material Weakness (Continued)

The Township's annual budget for 2013 fell between \$100,001-250,000 for the months January through March, and the annual budget fell between \$250,000-500,000 for the months April through December. Based on these budget amounts, Ohio Rev. Code § 507.09(A) and (D) limit the annual salary of the Fiscal Officer to \$12,026. The Township, however, did not pay the Fiscal Officer in accordance with Ohio Rev. Code. The Fiscal Officer was paid \$11,200 in 2013. As a result, the Fiscal Officer was under-compensated by \$826 in 2013. As a result, the Fiscal Officer was overpaid for the period January 1, 2012 through December 31, 2013 by \$1,768.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery is hereby issued for public money illegally expended against Marijane Raber, and her surety company, Travelers Casualty and Surety Company of America, in the amount of \$1,768, in favor of the General Fund of Madison Township, Guernsey County.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Township Trustees David C. Lyons, James E. Sudduth, Jr., Corey Gray and Fiscal Officer, Marijane Raber signed the warrants resulting in the improper payments. Township Trustees, David C. Lyons, James E. Sudduth, Jr. and Corey Gray, and their bonding companies, Ohio Township Risk Management Authority, will be jointly and severally liable in the amount of \$1,768 and in favor of the General Fund, in the amount of \$1,768 to the extent that recovery is not obtained from Fiscal Officer, Marijane Raber.

FINDING NUMBER 2013-003

Finding for Recovery/Noncompliance/Material Weakness

Ohio Rev. Code § 505.601 provides that if a board of trustees does not procure an insurance policy or group health care services as provided in Section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of Section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

- a. The Board of Trustees adopts a resolution that states that the Township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.
- b. That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the Township will not reimburse the officer or employee.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-003 (Continued)

Finding for Recovery/Noncompliance/Material Weakness (Continued)

- c. That resolution states the specific benefits listed in division (A) of Section 505.60 of the Revised Code for which the Township will reimburse all officers and employees of the Township. The Township may not reimburse officers and employees for benefits other than those listed in division (A) of Section 505.60 of the Revised Code.

During the period January 1, 2006 through January 31, 2014, Marijane Raber, the Township's Fiscal Officer was reimbursed \$21,463 for out-of-pocket health care premiums. Marijane Raber could not provide sufficient documentation to support these reimbursements.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Marijane Raber, Fiscal Officer, and her surety company, Travelers Casualty and Surety Company of America, Bond No. 105030123-0372, in the amount of \$21,463, in favor of the General Fund of Madison Township, Guernsey County.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Township Trustees David C. Lyons, James E. Sudduth, Jr., Corey Gray and Fiscal Officer, Marijane Raber signed the warrants resulting in the improper payments. Township Trustees, David C. Lyons, James E. Sudduth, Jr. and Corey Gray, and their bonding companies, Ohio Township Risk Management Authority, will be jointly and severally liable in the amount of \$21,463 and in favor of the General Fund, in the amount of \$21,463 to the extent that recovery is not obtained from Fiscal Officer, Marijane Raber.

FINDING NUMBER 2013-004

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. Subsequent to House Bill 153, passed in 2011, Ohio Rev. Code Section now 505.24 requires township trustees to certify the amount of work performed on restricted funds. After the passage of H.B. 153, the Board of Trustees continued the practice of what was previously required under the statute - documenting their time on timesheets. The Board did not prepare any payroll certifications for 2013 and 2012.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-004 (Continued)

Noncompliance Citation/Material Weakness (Continued)

As a result, in 2013, the Motor Vehicle License Tax Fund was overcharged \$635, Gasoline Tax Fund was overcharged \$3,553, the Road and Bridge Fund was overcharged \$1,247, and the General Fund was undercharged \$5,435 for Trustees' salaries and benefits. During 2012, the Gasoline Tax Fund was overcharged by \$5,775, the Road and Bridge Fund was overcharged by \$1,211 and the General Fund was undercharged by \$6,986 for Trustees' salaries and benefits. We also found for 2013 and 2012 the Fiscal Officer paid the elected officials at the beginning of each month for the current month. The Fiscal Officer has posted these adjustments to the Township records and therefore, these adjustments are reflected in the accompanying financial statements.

The Township should review H.B. 153, as well as Ohio Rev. Code Sections 505.24 and 507.09, and adopt formal administrative procedures regarding signed certifications of the allocation of payroll by each Trustee for each monthly pay period. The Fiscal Officer should not distribute the Trustees' salary until such signed certification is obtained. If they are paid 100% out of the General Fund, no certification is required.

FINDING NUMBER 2013-005

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 5705.10(D) states except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

We found the following for 2013:

- \$10,323 of Guernsey County Engineer monies were posted to the General Fund instead of the Public Works Commission Projects Fund;
- \$2,399 of cents per gallon monies were posted to the Permissive Motor Vehicle License Tax Fund instead of the Gasoline Tax Fund; and
- \$4,299 of homestead and rollback monies were posted entirely to the General Fund instead of being split among the General Fund in the amount of \$2,072, the Road and Bridge Fund in the amount of \$1,565 and the Special Fire Levy Fund in the amount of \$592.

We found the following for 2012:

- \$1,039 of motor vehicle registration monies were posted to the Permissive Motor Vehicle License Tax Fund instead of the Motor Vehicle License Tax Fund; and
- \$4,087 of homestead and rollback monies were posted entirely to the General Fund instead of being split among the General Fund in the amount of \$2,003, the Road and Bridge Fund in the amount of \$1,512 and the Special Fire Levy Fund in the amount of \$572.

The Fiscal Officer has posted these adjustments to the Township records and therefore, this adjustment is reflected in the accompanying financial statements.

The Fiscal Officer should exercise due care when posting receipts to the UAN accounting system in order to help ensure the receipts are posted to the correct funds.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-006

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 5705.10(I) states money paid into any fund shall be used only for the purposes for which such fund is established.

The Fiscal Officer paid cemetery mowing expenses in the amount of \$2,282 and \$6,328 in 2013 and 2012, respectively, from the Issue I Capital Projects Fund instead of the General Fund. The Issue I Capital Projects Fund is restrictive in regards to allowable expenditures. Payments for cemetery mowing are not allowable expenditures for the Issue I Capital Projects Fund. As a result, the Issue I Capital Projects Fund had a negative fund balance at December 31, 2013 in the amount of \$1,494. The Fiscal Officer has posted these adjustments to the Township records and this adjustment is reflected in the accompanying financial statements.

The Fiscal Officer should follow Ohio Rev. Code § 5705.10(H) prior to making expenditures from funds which have a specific purpose.

FINDING NUMBER 2013-007

Noncompliance Citation/Material Weakness

Ohio Rev. Code § 507.09 states a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

During 2013, a portion of the Fiscal Officer's salary in the amount of \$2,122, was paid from the Motor Vehicle License Tax Fund. Also during 2013, a portion of the Fiscal Officer's benefits in the amount of \$312 and \$162, were paid from the Motor Vehicle License Tax Fund and the Gasoline Tax Fund, respectively. During 2012, a portion of the Fiscal Officer's benefits in the amount of \$198 was paid from the Gasoline Tax Fund. No certifications were maintained to support the amount paid from the Motor Vehicle License Tax Fund and Gasoline Tax Fund. The Fiscal Officer has posted these adjustments to the Township records and this adjustment is reflected in the accompanying financial statements.

The Fiscal Officer should review H.B. 153, as well as Ohio Rev. Code § 507.09, and adopt formal administrative procedures regarding signed certifications of the allocation of payroll by the Fiscal Officer for compensation paid from Township funds other than the General Fund. If paid 100% from the General Fund, then no certifications are required

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-008

Noncompliance Citation/Material Weakness

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

During 2013, the Fiscal Officer posted certain transactions incorrectly as follows:

- \$2,393 of gasoline tax monies was posted to interest instead of intergovernmental in the Gasoline Tax Fund;
- \$1,900 of permissive tax monies was posted to taxes instead of intergovernmental in the Permissive Motor Vehicle License Tax Fund;
- \$1,686, \$2,107 and \$421 of homestead and rollback monies were posted to taxes instead of intergovernmental in the General Fund, Road and Bridge Fund and Special Fire Levy Fund, respectively;
- \$2,000, \$5,000 and \$1,500 of capital outlay expenditures were posted to public works instead of capital outlay in the Gas Tax, Road and Bridge Fund and Issue I Fund, respectively;
- Special Fire Levy Fund expenditures in the amount of \$6,000 were posted to general government instead of public safety.

During 2012, the Fiscal Officer posted certain transactions incorrectly as follows:

- \$1,802 of permissive tax monies was posted to taxes instead of intergovernmental in the Permissive Motor Vehicle License Tax Fund;
- \$2,040, \$1,511 and \$500 of homestead and rollback monies were posted to taxes instead of intergovernmental in the General Fund, Road and Bridge Fund and Special Fire Levy Fund, respectively; and
- Special Fire Levy Fund expenditures in the amount of \$9,100 were posted to general government instead of public safety.

These errors were due to a lack of management oversight. Significant reclassifications were made to the financial statements.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to help ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-009

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority 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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Rev. 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 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 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 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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to purchase commitment for 33 percent of the expenditures tested in 2013 and 33 percent of the expenditures tested in 2012, and there was no evidence the Township followed the aforementioned exceptions.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-009 (Continued)

Noncompliance Citation/Significant Deficiency (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 that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township should certify purchases to which § 5705.41(D) applies. 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.

FINDING NUMBER 2013-010

Material Weakness

The Fiscal Officer prepares monthly bank reconciliations to reconcile the Township's Uniform Accounting Network (UAN) financial accounting system to the bank account.

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances for the audit period. Monthly bank reconciliations contained "other adjusting factors" throughout the entire audit period which were carried forward instead of being investigated and corrected. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit.

The reconciling items each month could not be substantiated to any audit evidence; therefore, the Auditor of State performed a proof-of-cash analysis for the audit period. At the beginning of the audit period and at the end of the prior audit, the Township had an unexplained "other adjusting factor" of \$1,006.43. During the proof-of-cash analysis for 2013 and 2012, we were able to identify posting errors, such as double posted receipts, receipts and expenditures that cleared the bank but were not posted to the accounting system and bank interest not posted to the accounting system. At December 31, 2013, we still had an unexplained "other adjusting factor" of \$1,006.43, in which the bank balance was higher than the book balance. This variance occurred at some point in the prior audit. The Township has posted the proof-of-cash adjustments to the accounting system and they are reflected in the accompanying financial statements.

The table below reflects proof-of-cash adjustments required each year to allow the Township's accounting system to reconcile to the bank and only be off by the "other adjusting factor" that existed in the prior audit, in the amount of \$1,006.43:

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-010 (Continued)

Material Weakness (Continued)

Fund	12/31/13 Balance	2012 Adjustments	2013 Adjustments	Adjusted 12/31/13 Balance
General	\$94,375.34	\$1,015.34	(\$3,821.94)	\$91,568.74
Special Revenue:				
Motor Vehicle License Tax	3,365.45	0	1.92	3,367.37
Gasoline Tax	13,935.62	(138.38)	(655.72)	13,141.52
Road and Bridge	8,977.80	1,512.37	187.49	10,677.66
Special Fire Levy	3,738.87	572.25	(13.85)	4,297.27
Permissive Motor Vehicle License Tax	5,265.15	0	0	5,265.15
FEMA	87.75	0	0	87.75
General (Bond)(Note) Retirement	28.13	0	0	28.13
Public Works Commission Projects	(1,494.18)	0	0	(1,494.18)

The Township, as part of the monthly cash reconciliation process, should investigate the unidentified reconciling items timely and make the necessary adjustments to the books. Also, the monthly bank reconciliation should be approved by a Board Member at each monthly meeting. The Fiscal Officer made these adjustments on August 29, 2015, to the Township's UAN accounting system.

FINDING NUMBER 2013-011

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2013, appropriations as approved by the Board of Trustees did not agree to the Township's ledgers for the following fund:

Fund	Appropriations per Board of Trustees	Appropriations per Appropriation Status Report	Variance
General	\$94,091	\$44,351	\$49,740

At December 31, 2013, estimated revenue as approved by the County Budget Commission did not agree to the Township's ledgers for the following funds:

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-011 (Continued)

Material Weakness (Continued)

Fund	Estimated Revenue Per County Budget Commission	Estimated Revenue Per Revenue Status Report	Variance
General	\$83,966	\$346	\$82,620
Motor Vehicle License Tax	12,405	0	12,405
Gasoline Tax	84,015	0	84,015
Road and Bridge	22,893	0	22,893
Special Fire Levy	8,189	0	8,189
Permissive Motor Vehicle License Tax	1,755	0	1,755
Public Works Commission Projects	10,323	0	10,323

At December 31, 2012, estimated revenue as approved by the County Budget Commission did not agree to the Township's ledgers for the following funds:

Fund	Estimated Revenue Per County Budget Commission	Estimated Revenue Per Revenue Status Report	Variance
General	\$32,690	\$346	\$32,344
Motor Vehicle License Tax	12,010	0	12,010
Gasoline Tax	84,009	0	84,009
Road and Bridge	21,141	0	21,141
Special Fire Levy	7,868	0	7,868
Permissive Motor Vehicle License Tax	1,745	0	1,745
Public Works Commission Projects	8,372	0	8,372

Due to budgetary information being improperly entered into the system, the management of the Township was not able to effectively monitor and report its budgetary vs. actual status throughout the year.

The Fiscal Officer should accurately post appropriations as approved by the Board of Trustees and estimated revenue as approved by the County Budget Commission into the computer system after receiving the appropriate approvals. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-012

Significant Deficiency

During our testing of the Township's disbursements, we identified the following conditions:

- 3% of the disbursements tested, for a total of \$2,884, did not include invoices as supporting documentation to support the payment being made;
- 3% of the disbursements tested were posted to the incorrect line item;
- 18% of checks written in 2012 and 42% of checks written in 2013 cleared the bank at different check numbers than the check numbers recorded in the UAN system;
- Check numbers that were voided in the UAN system cleared the bank; and
- Blank checks were signed by the Fiscal Officer and Trustees prior to printing the check and approving the expenditure.

These conditions did not allow for proper documentation of certain disbursements and resulted in the Township not being able to properly reconcile their accounting system to the bank.

The Township should consider implementing the following procedures to help strengthen the internal controls over the proper disbursement of public funds:

- Voucher packages should contain evidence to support the expenditure, such as an invoice;
- Disbursements should be coded to the proper account codes and the Township Handbook should be used as guidance;
- Check numbers in the UAN system should agree to the check numbers on the checks that clear the bank;
- Fiscal Officer should mutilate the signature block on voided checks; and
- Checks should only be signed after the check has been printed and approved by the Board of Trustees.

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Dave Yost • Auditor of State

MADISON TOWNSHIP

GUERNSEY 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
APRIL 21, 2016**