



OHIO AUDITOR OF STATE
KEITH FABER



**MAD RIVER TOWNSHIP
CLARK COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Mad River Township
Clark County
260 East Main Street
PO Box 34
Enon, Ohio 45323

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 Mad River Township, Clark County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such 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 opinions.

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

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

Efficient • Effective • Transparent

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Mad River Township, Clark County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2020

Mad River Township
Clark County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$104,306	\$1,176,091		\$157,697		\$1,438,094
Charges for Services		335,409				335,409
Licenses, Permits and Fees	59,334	87,383				146,717
Intergovernmental	59,643	349,185		169,563		578,391
Special Assessments		25,248				25,248
Earnings on Investments	29,053	8,263			\$82	37,398
Miscellaneous	12,280	100,223				112,503
<i>Total Cash Receipts</i>	<u>264,616</u>	<u>2,081,802</u>		<u>327,260</u>	<u>82</u>	<u>2,673,760</u>
Cash Disbursements						
Current:						
General Government	228,282					228,282
Public Safety		1,008,193				1,008,193
Public Works		255,976		144,520		400,496
Health		83,228				83,228
Capital Outlay	15,161	362,875		324,010		702,046
Debt Service:						
Principal Retirement		22,116	\$70,887			93,003
Interest and Fiscal Charges		7,598	7,953			15,551
<i>Total Cash Disbursements</i>	<u>243,443</u>	<u>1,739,986</u>	<u>78,840</u>	<u>468,530</u>		<u>2,530,799</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,173</u>	<u>341,816</u>	<u>(78,840)</u>	<u>(141,270)</u>	<u>82</u>	<u>142,961</u>
Other Financing Receipts (Disbursements)						
Sale of Bonds				294,145		294,145
Sale of Capital Assets		25,000				25,000
Transfers In			78,840			78,840
Transfers Out		(31,044)		(47,796)		(78,840)
<i>Total Other Financing Receipts (Disbursements)</i>		<u>(6,044)</u>	<u>78,840</u>	<u>246,349</u>		<u>319,145</u>
<i>Net Change in Fund Cash Balances</i>	<u>21,173</u>	<u>335,772</u>	<u>0</u>	<u>105,079</u>	<u>82</u>	<u>462,106</u>
<i>Fund Cash Balances, January 1</i>	<u>1,491,284</u>	<u>1,777,265</u>	<u>0</u>	<u>348,509</u>	<u>4,600</u>	<u>3,621,658</u>
Fund Cash Balances, December 31						
Nonspendable					2,800	2,800
Restricted		1,949,139		453,588	1,882	2,404,609
Committed		163,898				163,898
Assigned	1,132,474					1,132,474
Unassigned	379,983					379,983
<i>Fund Cash Balances, December 31</i>	<u>\$1,512,457</u>	<u>\$2,113,037</u>	<u>\$0</u>	<u>\$453,588</u>	<u>\$4,682</u>	<u>\$4,083,764</u>

See accompanying notes to the financial statement

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Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2018

NOTE 1 - REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of Mad River Township, Clark 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, fire protection and emergency medical services. The Township contracts with the Clark County Sheriff to provide police protection.

Joint Venture and Public Entity Risk Pools

The Township participates in a joint venture with Green Township for the operation of the Husted Fire and Emergency Medical Services Department. Note 12 to the financial statement provides additional information for this joint venture. The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statement provides additional information for this risk pool.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Township's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report 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:

Enon Emergency Medical Services Fund - This fund receives property tax money, donations and charges for services to pay for the operation and maintenance of the Enon Emergency Medical Services Department.

Debt Service Funds - 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:

Husted Fire Truck Bond Retirement Fund – This fund receives transfers and accounts for the retirement of debt issued to finance a fire truck.

Road Equipment Bond Retirement Fund – This fund receives transfers and accounts for the retirement of debt issued to finance road equipment.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Funds - 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 assets. The Township had the following significant Capital Project Fund:

Fire and EMS Equipment and Building Fund - This fund receives property tax money, for providing and maintaining fire apparatus, ambulance equipment and buildings.

Permanent Fund - This fund accounts for and reports resources that are restricted to the extent that only earnings and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following Permanent Fund:

Cemetery Bequest Fund - This fund is based upon donor-imposed restrictions.

Basis of Accounting

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

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

Budgetary Process

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

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 any amendments. Unencumbered appropriations lapse at year-end.

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

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 re-appropriated.

A summary of the 2018 budgetary activity appears in Note 3.

Deposits and Investments - The Township has no investments. A summary of deposits appears in Note 4.

Capital Assets - The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statement does not report these items as assets.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Leave – In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

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 its governmental-fund resources. The classifications are as follows:

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

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.

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.

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.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2018 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$222,333	\$264,616	\$42,283
Special Revenue	1,884,208	2,106,802	222,594
Debt Service	78,840	78,840	
Capital Projects	181,303	621,405	440,102
Permanent Funds	45	82	37
Total	\$2,366,729	\$3,071,745	\$705,016

2018 Budgeted vs. Actual Budgetary Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,318,899	\$246,192	\$1,072,707
Special Revenue	2,515,564	1,841,214	674,350
Debt Service	78,840	78,840	
Capital Projects	573,836	516,326	57,510
Permanent Funds			
Total	\$4,487,139	\$2,682,572	\$1,804,567

NOTE 4 - DEPOSITS

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

	2018
Demand Deposits	\$ 624,677
Time Deposits	3,459,087
Total Deposits	\$ 4,083,764

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

NOTE 5 – PROPERTY TAXES

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 statement includes 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 semi-annually, the first half is due December 31 and the second half 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.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

NOTE 6 - INTERFUND BALANCES

Outstanding advances at December 31, 2018, consisted of \$30,000 advanced to the Roads Special Levy Fund from the General Fund in September 2015 to provide monies for road projects.

NOTE 7 - RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Social Security

Some of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of the participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

NOTE 9 - POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

NOTE 10 - DEBT

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$545,772	2.29% - 2.93%
Lease	140,018	4.85%
Total	\$685,790	

Bonds

The Township issued general obligation bonds in October 2016 to finance the purchase of a new fire truck for the Hustead Fire Department, which is the Township's joint venture. The bonds will be repaid with annual principal and interest payments, beginning in June 2017 and ending in June 2021.

The Township issued general obligation bonds in January 2017 to finance the purchase of a new dump truck for the Township road department. The bonds will be repaid with annual principal and interest payments, beginning in January 2018 and ending in January 2022.

The Township issued general obligation bonds in May 2018 to finance the purchase of a new fire truck for the Enon Fire Department. The bonds will be repaid with annual principal and interest payments, beginning in May 2019 and ending in May 2023.

Leases

The Township leases a garage building. The Township disbursed \$29,714 to pay lease costs for the year ending December 31, 2018.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2018
(Continued)

NOTE 10 – DEBT (Continued)

Amortization

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

<u>Year ending December 31:</u>	<u>Lease</u>	<u>General Obligation Bonds</u>
2019	\$ 29,714	\$ 144,831
2020	29,714	144,831
2021	29,714	144,831
2022	29,714	97,035
2023	29,714	65,993
2024	12,340	
Totals	<u>\$ 160,910</u>	<u>\$ 597,521</u>

NOTE 11 – CONTINGENT LIABILITIES

The Township is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township’s financial condition.

NOTE 12 – JOINT VENTURE

Based on an agreement, written by the Clark County Prosecutor’s Office, signed and dated on December 5, 2001 by the Green Township and Mad River Township Trustees, the Trustees entered into a joint venture to mutually share all expenses for the operation of the Hustead Fire and Emergency Medical Services Departments.

This agreement was based on Ohio Revised Code Section 505.37(B), which authorizes Boards of Township Trustees to unite in the joint purchase, maintenance, use and operation of firefighting and emergency medical services equipment. This agreement states in part, that the funding for operation of the two departments shall be apportioned equally between the two Townships.

NOTE 13 – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Mad River Township
 Clark County, Ohio
 Combined Statement of Receipts, Disbursements
 and Changes in Fund Balances (Regulatory Cash Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$102,940	\$1,014,303		\$155,470		\$1,272,713
Charges for Services		315,490				315,490
Licenses, Permits and Fees	53,724	68,792				122,516
Fines and Forfeitures	215					215
Intergovernmental	57,734	275,397		25,246		358,377
Special Assessments		25,107				25,107
Earnings on Investments	16,776	4,048			\$52	20,876
Miscellaneous	4,697	62,671				67,368
<i>Total Cash Receipts</i>	<u>236,086</u>	<u>1,765,808</u>		<u>180,716</u>	<u>52</u>	<u>2,182,662</u>
Cash Disbursements						
Current:						
General Government	193,209					193,209
Public Safety		1,003,556				1,003,556
Public Works	2,615	227,765				230,380
Health		69,435				69,435
Capital Outlay		388,578		492,533		881,111
Debt Service:						
Principal Retirement		21,081	\$44,470			65,551
Interest and Fiscal Charges		8,633	3,326			11,959
<i>Total Cash Disbursements</i>	<u>195,824</u>	<u>1,719,048</u>	<u>47,796</u>	<u>492,533</u>		<u>2,455,201</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>40,262</u>	<u>46,760</u>	<u>(47,796)</u>	<u>(311,817)</u>	<u>52</u>	<u>(272,539)</u>
Other Financing Receipts (Disbursements)						
Sale of Bonds				142,309		142,309
Sale of Capital Assets		24,000				24,000
Transfers In			47,796			47,796
Transfers Out				(47,796)		(47,796)
<i>Total Other Financing Receipts (Disbursements)</i>		<u>24,000</u>	<u>47,796</u>	<u>94,513</u>		<u>166,309</u>
<i>Net Change in Fund Cash Balances</i>	<u>40,262</u>	<u>70,760</u>	<u>0</u>	<u>(217,304)</u>	<u>52</u>	<u>(106,230)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,451,022</u>	<u>1,706,505</u>	<u>0</u>	<u>565,813</u>	<u>4,548</u>	<u>3,727,888</u>
Fund Cash Balances, December 31						
Nonspendable					2,800	2,800
Restricted		1,609,518		348,509	1,800	1,959,827
Committed		167,747				167,747
Assigned	1,096,566					1,096,566
Unassigned	394,718					394,718
<i>Fund Cash Balances, December 31</i>	<u>\$1,491,284</u>	<u>\$1,777,265</u>	<u>\$0</u>	<u>\$348,509</u>	<u>\$4,600</u>	<u>\$3,621,658</u>

See accompanying notes to the financial statement

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Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2017

NOTE 1 - REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of Mad River Township, Clark 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, fire protection and emergency medical services. The Township contracts with the Clark County Sheriff to provide police protection.

Joint Venture and Public Entity Risk Pools

The Township participates in a joint venture with Green Township for the operation of the Husted Fire and Emergency Medical Services Department. Note 12 to the financial statement provides additional information for this joint venture. The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statement provides additional information for this risk pool.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Township's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report 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:

Enon Emergency Medical Services Fund - This fund receives property tax money, donations and charges for services to pay for the operation and maintenance of the Enon Emergency Medical Services Department.

Debt Service Funds - 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:

Husted Fire Truck Bond Retirement Fund – This fund receives transfers and accounts for the retirement of debt issued to finance a fire truck.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Funds - 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 assets. The Township had the following significant Capital Project Fund:

Fire and EMS Equipment and Building Fund - This fund receives property tax money, for providing and maintaining fire apparatus, ambulance equipment and buildings.

Permanent Fund - This fund accounts for and reports resources that are restricted to the extent that only earnings and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following Permanent Fund:

Cemetery Bequest Fund - This fund is based upon donor-imposed restrictions.

Basis of Accounting

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

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

Budgetary Process

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

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 any amendments. Unencumbered appropriations lapse at year-end.

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

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 re-appropriated.

A summary of the 2017 budgetary activity appears in Note 3.

Deposits and Investments – The Township has no investments. A summary of deposits appears in Note 4.

Capital Assets – The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statement does not report these items as assets.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Leave – In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

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 its governmental-fund resources. The classifications are as follows:

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

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.

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.

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.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

Fund Type	Receipts	Receipts	Variance
General	\$210,642	\$236,086	\$25,444
Special Revenue	1,766,037	1,789,808	23,771
Debt Service	78,840	47,796	(31,044)
Capital Projects	179,996	323,025	143,029
Permanent Funds	14	52	38
Total	\$2,235,529	\$2,396,767	\$161,238

2017 Budgeted vs. Actual Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,276,674	\$199,445	\$1,077,229
Special Revenue	2,354,181	1,748,232	605,949
Debt Service	78,840	47,796	31,044
Capital Projects	650,796	540,329	110,467
Permanent Funds			
Total	\$4,360,491	\$2,535,802	\$1,824,689

NOTE 4 - DEPOSITS

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

	2017
Demand Deposits	\$ 289,774
Time Deposits	3,331,884
Total Deposits	\$ 3,621,658

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

NOTE 5 – PROPERTY TAXES

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 statement includes 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 semi-annually, the first half is due December 31 and the second half 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.

NOTE 6 - INTERFUND BALANCES

Outstanding advances at December 31, 2017, consisted of \$30,000 advanced to the Roads Special Levy Fund from the General Fund in September 2015 to provide monies for road projects.

NOTE 7 - RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly 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 judgements, 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, 2017 (latest information available), 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 the generally accepted accounting principles and reported the following assets, liabilities and net position at December 31, 2017.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

NOTE 7 - RISK MANAGEMENT (Continued)

	2017
Assets	\$ 40,010,732
Liabilities	8,675,465
Net Position	\$ 31,335,267

At December 31, 2017, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$15,000.

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

Contributions to OTARMA		
2017	\$	33,379

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.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Social Security

Some of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of the participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

NOTE 9 - POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

NOTE 10 - DEBT

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$322,513	2.29% - 2.93%
Lease	162,134	4.85%
Total	\$484,647	

Bonds

The Township issued general obligation bonds in October 2016 to finance the purchase of a new fire truck for the Hustead Fire Department, which is the Township's joint venture. The bonds will be repaid with annual principal and interest payments, beginning in June 2017 and ending in June 2021.

The Township issued general obligation bonds in January 2017 to finance the purchase of a new dump truck for the Township road department. The bonds will be repaid with annual principal and interest payments, beginning in January 2018 and ending in January 2022.

Leases

The Township leases a garage building. The Township disbursed \$29,714 to pay lease costs for the year ending December 31, 2017.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

NOTE 10 - DEBT (Continued)

Amortization

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

Year ending December 31:	Lease	General Obligation Bonds
2018	\$ 29,714	\$ 78,840
2019	29,714	78,840
2020	29,714	78,840
2021	29,714	78,840
2022	29,714	31,044
2023-2024	42,054	-
Totals	\$ 190,624	\$ 346,404

NOTE 11 – CONTINGENT LIABILITIES

The Township is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

NOTE 12 – JOINT VENTURE

Based on an agreement, written by the Clark County Prosecutor's Office, signed and dated on December 5, 2001 by the Green Township and Mad River Township Trustees, the Trustees entered into a joint venture to mutually share all expenses for the operation of the Hustead Fire and Emergency Medical Services Departments.

This agreement was based on Ohio Revised Code Section 505.37(B), which authorizes Boards of Township Trustees to unite in the joint purchase, maintenance, use and operation of firefighting and emergency medical services equipment. This agreement states in part, that the funding for operation of the two departments shall be apportioned equally between the two Townships.

NOTE 13 – SUBSEQUENT EVENT

With the passage of the November 7, 2017 policy levy, the Township Trustees hired a Township Deputy to start March 1, 2018.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Mad River Township
Clark County
260 East Main Street
PO Box 34
Enon, Ohio 45323

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 Mad River Township, Clark County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 28, 2020, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

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 and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. We consider findings 2018-001 through 2018-003 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 finding 2018-004 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

Township's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2020

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Noncompliance and Material Weakness – OPWC On-behalf Payments

Ohio Rev. Code § 5705.42 requires, in part, that when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Township entered into an agreement with the Ohio Public Works Commission (OPWC) for a grant. **Auditor of State Bulletin 2002-004** outlines the accounting requirements for the OPWC grant. The OPWC will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital project fund equal to the amount disbursed by the OPWC.

Due to lack of knowledge, the Township did not record all payments made directly to contractors as part of the OPWC project. The amount of unrecorded activity in 2018 totaled \$138,040. The financial statements have been adjusted to show the increase in Intergovernmental revenue and Public Works disbursements.

Additionally, the Township did not properly record the \$6,480 received from OPWC directly by the Township in the correct fund or account in 2018. The amount was recorded as Miscellaneous Revenue in the Road and Bridge Special Revenue Fund. The disbursement associated with this receipt was posted to the Roads Special Levy Special Revenue Fund. The receipt and disbursement should have been recorded in the Capital Projects Fund. The financial statements and accounting records have been adjusted for these errors.

Failure to properly record grant activity results in understated receipts and disbursements on the financial statements.

To improve financial reporting, the Township should implement procedures to verify all grant receipts and disbursements are posted to the correct fund/account in the accounting system and financial statements.

Official's Response:

Township has implemented a procedure to ensure that the OPWC grant money and the payments to contractors for the work completed on the OPWC projects will be entered correctly in the accounting system and financial statements.

FINDING NUMBER 2018-002

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions established criteria for reporting governmental fund balances based upon constraints placed upon the use of the resources reported in the governmental fund. The five classifications are non-spendable, restricted, committed, assigned, and unassigned.

Auditor of State Bulletin 2011-004 states, in part, that when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund as it is the only fund with a positive unassigned fund balance. In 2018 and 2017, the Township failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent fiscal years. The Township also did not properly classify outstanding general fund encumbrances at year end as assigned. As a result, the unassigned General Fund balance was overstated and the assigned General Fund balance was understated by \$1,132,474 and \$1,096,566 in 2018 and 2017, respectively. The financial statements were adjusted for these errors.

Additionally, the Township issued bonds in 2017 and 2018; however, the proceeds and disbursements by the bank were not included on the financial statements. In addition, the Township's debt payments were recorded incorrectly. Audit adjustments and reclassifications were made as follows:

- 2017 Capital Projects Fund
 - Increased Sale of Bonds and Capital Outlay by \$142,309
- 2017 Road and Bridge Fund
 - Reclassified \$29,714 from Capital Outlay to Principal Retirement (\$21,081) and Interest and Fiscal Charges (\$8,633)
- 2018 Capital Projects Fund
 - Increased Sale of Bonds and Capital Outlay by \$294,145
- 2018 Road and Bridge Fund
 - Reclassified \$22,116 from Interest and Fiscal Charges to Principal Retirement

We also identified an immaterial error for \$209 that did not require adjustment to the financial statements and was brought to the Township's attention. The above errors resulted from a lack of understanding of proper accounting.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Township's ability to make sound financial decisions, and/or result in materially misstated reports.

The Township should have procedures in place to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-003

Material Weakness – Cemetery Bequest Fund - Trust Agreements

The Township presented a Cemetery Bequest Fund as a Permanent Fund but did not maintain original trust agreements to support the fund / account classification for financial reporting.

The Cemetery Bequest Fund represented 100% of the Permanent Fund activity and fund balances, with fund cash balances of \$4,682 and \$4,600 at December 31, 2018 and 2017, respectively. Without the original trust agreement, it is not possible to determine whether the Cemetery Bequest Fund should be presented as a Permanent Fund (a benefit to the Township) or as a Private Purpose Trust Fund (a benefit to other organizations, governments, or individuals). In addition, the lack of a trust agreement may be an indication that this fund can be completely spent, which would result in the Fund being classified as a Special Revenue Fund.

The Township should maintain original trust agreements to identify the original principal and purpose of each trust. By maintaining these agreements, the Township would be able to identify whether or not there is principal that must be maintained in perpetuity and whether or not the trust is to benefit the entity or other organizations, governments, or individuals.

The Township should obtain copies of the documentation establishing this trust fund to identify the original principal and to determine the purpose of the trust. The Township should consult their legal counsel for advice if the documentation cannot be located to support the existence of a trust agreement. In addition, the Township should review Governmental Accounting Standards Board (GASB) Statement 54 (GASB codification 1300) and Auditor of State Bulletin 2011-004 for fund classification guidance.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-004

Significant Deficiency – Medicount Management Reconciliations

The Township may opt to use outside service organizations to process transactions as part of the Township's information system. Service organizations provide services ranging from performing a specific task under the direction of the Township to replacing entire business units or functions of the Township. When the operating activity is not directly administered by the Township, such as when utilizing a service organization, it is critical that appropriate monitoring controls are designed and implemented to reasonably ensure the service organization has adequate controls to achieve management's goals and objectives and complies with applicable laws and regulations. SOC-1 audits are performed over these service organizations to provide information about internal controls to management and to auditors who rely on the SOC-1 report results for the audit of the Township's financial statements and information technology systems.

The Township utilized Medicount Management for emergency management services billings and receipts. The SOC-1 report for Medicount Management identifies controls the Township must apply to ensure the proper operation of controls have been implemented at the service organization. The report recommended Medicount Management clients should reconcile client snapshots to verify completeness and accuracy of the payments received and fees/credits due to/from Medicount Management. The Township did not reconcile client snapshots to the Township's records.

**FINDING NUMBER 2018-004
(Continued)**

Failure to reconcile the Township's records with Medicount Management can result in inaccuracies in reporting as well as variances with receipts.

The Township should implement procedures to review snapshot reports from Medicount Management and perform reconciliations over the reports to verify Township records agree to the service organization's records.

Official's Response:

This Fiscal Officer of the Township has implemented a procedure to reconcile the records received from Medicount Management on a monthly basis to ensure the completeness and accuracy of the payments received and fees/refunds charged.

OTHER – FINDING FOR RECOVERY

In addition, we identified the following other issue related to Finding for Recovery. This issue did not impact our GAGAS Compliance and Controls report.

FINDING NUMBER 2018-005

Finding for Recovery – Repaid Under Audit – Trustee Salary

Ohio Rev. Code § 505.24(A)(6) - version prior to 2018 S 296, eff. 12-27-18 - provides, in part, in calendar year 2016, each township trustee is entitled to compensation of sixty-four dollars and eighty-two cents per day for not more than two hundred days, in townships having a budget of more than three million five hundred thousand but not more than six million dollars. **Ohio Rev. Code § 505.24(B)** - version prior to 2018 S 296, eff. 12-27-18 - provides in calendar year 2017, the amounts paid as specified in division (A) of this section shall be increased by five percent to sixty-eight dollars and six cents. **Ohio Rev. Code § 505.24(A)(6)** provides in calendar year 2018, each township trustee is entitled to compensation of sixty-eight dollars and six cents per day for not more than two hundred days, in townships having a budget of more than three million five hundred thousand but not more than six million dollars.

Ohio Attorney General Opinion No. 99-015 provides, in part, that "for the purposes of calculating the authorized compensation of the Township Trustees pursuant to Ohio Rev. Code § 505.24, the term 'budget' refers to the total amount of resources available to the Township pursuant to the official certificate of estimated resources or amendments to the certificate."

The Township's budget was in the category of three million five hundred thousand to six million during 2016, 2017, and 2018.

Trustee Kathy Estep should have received a combined total salary of \$40,188 for 2016, 2017, and 2018; however she was paid \$40,883. As Trustee Estep was underpaid in 2016 and 2017, the Township issued a true up payment in 2018, in the amount of \$2,216, which was not properly calculated.

**FINDING NUMBER 2018-005
(Continued)**

\$12,964 Salary Due in 2016 (\$64.82 x 200 days)
+ \$13,612 Salary Due in 2017 (\$68.06 x 200 days)
+ \$13,612 Salary Due in 2018 (\$68.06 x 200 days)
= \$40,188 Total Salary Due for 2016, 2017, and 2018
- \$40,883 Salary Paid
= \$695 Overpayment

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 Trustee Kathy Estep in the amount of \$695 in favor of the Mad River Township General Fund.

Township officials should obtain the most current elected officials compensation charts to verify officials are properly compensated in accordance with the Ohio Revised Code. Failure to review and properly calculated salary amounts can result in additional overpayments to officials.

On February 19, 2020, this finding for recovery was repaid in full to the Township via check number 12496. The repayment was receipted into the Township's accounting system General Fund on February 20, 2020.

Official's Response:

We did not receive a response from Officials to this finding.

MAD RIVER TOWNSHIP

260 East Main Street
P.O. Box 34
Enon, Ohio 45323
Office (937)864-7429
Fiscal Officer, David J Rudy
TRUSTEES: Robert W McClure • Todd Pettit • Jay Young

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	ORC § 5705.39 and 5705.41(B) - Failure to have adequate appropriation authority in place at the time of expenditure	Fully Corrected	The requests for expenditures are more timely provided to the correct department
2016-002	ORC § 5705.10(D) and 4501.04 - Failure to properly classify various financial activity in the accounting records and financial statements	Partially Corrected	Review of the ORC procedures for the classification of the activity in the financial statements should reduce the classification errors. No non-compliance reported for current period. See Finding 2018-002
2016-003	Lack of trust agreements	Not Corrected	The trust agreements do not exist for the balance in the cemetery bequest fund. Repeated as Finding 2018-003
2016-004	Failure to record OPWC on-behalf payments	Not Corrected	The OPWC receipts and expenditures were not entered into the UAN system prior to closing year end. Repeated as Finding 2018-001

OHIO AUDITOR OF STATE KEITH FABER



MAD RIVER TOWNSHIP

CLARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/8/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov