



Dave Yost • Auditor of State

MADISON TOWNSHIP
SANDUSKY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Madison Township
Sandusky County
611 West Madison Street
Gibsonburg, Ohio 43431-1224

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Madison Township, Sandusky County, Ohio, (the Township) as of and for the years ended December 31, 2014 and 2013.

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 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 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles – (Continued)

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, 2014 and 2013, 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, Sandusky County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2015, 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.



Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2015

**MADISON TOWNSHIP
SANDUSKY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$57,084	\$239,766			\$296,850
Intergovernmental	46,028	120,266		\$53,930	220,224
Earnings on Investments	42	140			182
Miscellaneous	1,003	6,332			7,335
<i>Total Cash Receipts</i>	<u>104,157</u>	<u>366,504</u>		<u>53,930</u>	<u>524,591</u>
Cash Disbursements					
Current:					
General Government	81,979	18,735			100,714
Public Safety	41,129	32,256			73,385
Public Works	8,376	164,797			173,173
Health		45,457			45,457
Capital Outlay	2,481			53,930	56,411
Debt Service:					
Principal Retirement			\$41,036		41,036
Interest and Fiscal Charges			1,869		1,869
<i>Total Cash Disbursements</i>	<u>133,965</u>	<u>261,245</u>	<u>42,905</u>	<u>\$53,930</u>	<u>492,045</u>
<i>Net Change in Fund Cash Balances</i>	(29,808)	105,259	(42,905)		32,546
<i>Fund Cash Balances, January 1</i>	<u>72,997</u>	<u>347,411</u>	<u>59,326</u>		<u>479,734</u>
Fund Cash Balances, December 31					
Restricted		452,670	16,421		469,091
Assigned	707				707
Unassigned	42,482				42,482
<i>Fund Cash Balances, December 31</i>	<u>\$43,189</u>	<u>\$452,670</u>	<u>\$16,421</u>		<u>\$512,280</u>

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

**MADISON TOWNSHIP
SANDUSKY 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	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$55,209	\$117,313		\$172,522
Intergovernmental	38,093	115,131		153,224
Earnings on Investments	88	187		275
Miscellaneous	911			911
<i>Total Cash Receipts</i>	<u>94,301</u>	<u>232,631</u>		<u>326,932</u>
Cash Disbursements				
Current:				
General Government	86,261	992		87,253
Public Safety	92,605			92,605
Public Works	7,974	272,546		280,520
Health		44,242		44,242
Capital Outlay	1,590			1,590
Debt Service:				
Principal Retirement			\$39,247	39,247
Interest and Fiscal Charges			3,656	3,656
<i>Total Cash Disbursements</i>	<u>188,430</u>	<u>317,780</u>	<u>42,903</u>	<u>549,113</u>
<i>Excess of Disbursements Over Receipts</i>	(94,129)	(85,149)	(42,903)	(222,181)
Other Financing Receipts (Disbursements)				
Transfers In	37,704			37,704
Transfers Out		(37,704)		(37,704)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>37,704</u>	<u>(37,704)</u>		
<i>Net Change in Fund Cash Balances</i>	(56,425)	(122,853)	(42,903)	(222,181)
<i>Fund Cash Balances, January 1</i>	<u>129,422</u>	<u>470,264</u>	<u>102,229</u>	<u>701,915</u>
Fund Cash Balances, December 31				
Restricted		347,411	59,326	406,737
Assigned	2,273			2,273
Unassigned	70,724			70,724
<i>Fund Cash Balances, December 31</i>	<u>\$72,997</u>	<u>\$347,411</u>	<u>\$59,326</u>	<u>\$479,734</u>

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

**MADISON TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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, Sandusky County, Ohio (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 and fire protection services.

The Township participates in a jointly governed organization, joint venture, and a public entity risk pool. Notes 6, 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Gibsonburg Union Cemetery – which provides cemetery services.

Joint Venture:

Gibsonburg-Madison Township Volunteer Fire Department – which provides fire protections services.

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) - a risk sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

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 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).

These statements include 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.

C. 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.

**MADISON TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

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 Funds:

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

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

Cemetery Fund - This fund receives property tax money, established by a township levy, to be distributed to the Gibsonburg Union Cemetery.

Fire Operations Fund - This fund receives a tax levy to pay for fire services.

Fire Equipment Fund - This fund receives a tax levy to pay for fire equipment.

3. Debt Service Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Miscellaneous Debt Service Fund – This fund receives property tax revenues to pay the Township's debt obligations.

4. Capital Project Fund

This fund accounts for and reports 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:

Issue II Fund - The Township received a grant from the Ohio Public Works Commission to repair a Township road.

D. 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. The County Budget Commission must also approve the annual appropriation measure.

**MADISON TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**MADISON TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

5. Unassigned

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

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled 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:

	2014	2013
Demand deposits	\$512,280	\$479,734

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$113,911	\$104,157	(\$9,754)
Special Revenue	353,298	366,504	13,206
Capital Projects	53,930	53,930	
Total	\$521,139	\$524,591	\$3,452

**MADISON TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity – (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,150	\$134,672	(\$38,522)
Special Revenue	338,300	264,698	73,602
Debt Service	85,300	42,905	42,395
Capital Projects		53,930	(53,930)
Total	\$519,750	\$496,205	\$23,545

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,198	\$132,005	\$55,807
Special Revenue	231,324	232,631	1,307
Total	\$307,522	\$364,636	\$57,114

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$205,000	\$190,703	\$14,297
Special Revenue	588,000	359,135	228,865
Debt Service	42,903	42,903	
Total	\$835,903	\$592,741	\$243,162

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$38,522 and the Issue II fund by \$53,930 for the year ended December 31, 2014 and in the Fire District Special Revenue fund by \$37,704 for the year ended December 31, 2013.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**MADISON TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

6. 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. (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, 2014, 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 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

**MADISON TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Risk Management – (Continued)

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$10,475	\$11,110

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.

7. Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

8. Joint Venture

The Gibsonburg-Madison Township Volunteer Fire Department is managed by the Township and the Village of Gibsonburg. The Township pays all fire department bills and is reimbursed for half of the expenses by the Village of Gibsonburg. The Township received \$24,158 during 2014 and \$14,719 during 2013.

9. Jointly Governed Organization

The Gibsonburg Union Cemetery is a jointly governed organization. Madison Township and the Village of Gibsonburg appoint members to sit on the Cemetery board. The Township is also responsible for levying and distributing tax revenues to the Cemetery. The Township distributed \$45,457 in 2014 and \$44,205 in 2013.

**MADISON TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

10. Transfer

During 2013, the Township obtained approval from the court of common pleas to close out their Fire District Special Revenue fund and transferred the remaining balance of \$37,707 to the General fund.

11. Compliance

Contrary to Ohio law, the Township recorded taxes, intergovernmental receipts and disbursement in the Debt Service fund, rather than the Special Revenue Fire Equipment fund.



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
Sandusky County
611 West Madison Street
Gibsonburg, Ohio 43431-1224

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 Madison Township, Sandusky County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated July 31, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinion 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-003 described in the accompanying schedule of findings to be material weaknesses.

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 2014-001 and 2014-002.

Entity's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's response 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 31, 2015

**MADISON TOWNSHIP
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10 (C) provides that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

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

The Township received \$59,001 in tax and intergovernmental receipts from a new fire equipment levy in 2014. The receipts and related disbursements of \$16,231 were incorrectly recorded in the debt service fund, instead of a separate new special revenue fund.

These errors were a result of inadequate policies and procedures in reviewing and approving the financial statements. The accompanying financial statements and accounting records have been adjusted to correct these errors. To ensure the Township’s financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the annual report by the Board to identify and correct errors, omissions, and misclassifications.

Officials’ Response:

We acknowledge errors were made and will properly post these transactions in the future.

FINDING NUMBER 2014-002

Ohio Rev. Code §5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code. We found instances of supplemental appropriations posted to the appropriation ledger; however, there was no evidence that the Board adopted a formal resolution approving these supplemental appropriations as required by **Ohio Rev. Code §5705.40**. This caused budgetary expenditures to exceed appropriations as follows:

Fund	Appropriations	Expenditures	Variance
2014			
General	\$96,150	\$134,672	(\$38,522)
Issue II		53,930	(53,930)
2013			
Fire District Fund		37,704	(37,704)

These errors were a result of inadequate policies and procedures in reviewing budgetary information. Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further in deficit spending practices. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2014-002
(Continued)**

Officials' Response:

The Madison Township Board of Trustees acknowledges that errors were made that were found during our audit in June 2015. We will properly approve appropriations in the future.

FINDING NUMBER 2014-003

Material Weakness

Financial Reporting

The Township's management is responsible for the fair presentation of the financial statements. GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. Errors were noted in the financial statements, resulting in the following audit adjustments:

- A court approved transfer of \$37,704 out of a special revenue fund and into the general fund was posted as a beginning fund balance adjustment in 2014, rather than as a Transfer-in and Transfer-out in 2013.
- Outstanding encumbrances within the General fund were reported as unassigned fund balance rather than assigned in 2014 (\$707) and 2013 (\$2,273)
- Budgeted disbursements posted to the accounting system and budgetary note did not agree to the approved appropriations in the General, Special Revenue, and Debt Service funds by \$49,914, \$276,523, and \$25,038 in 2014 and in the Special Revenue funds by \$489 in 2013.
- Budgeted receipts posted to the accounting system and budgetary note did not agree to the approved budget in the General, Special Revenue, Capital Project and Debt Service funds by \$37,811, 67,623, \$53,930 and 57,550 in 2014 and in the General and Special Revenue funds by \$15,302 and \$28.944 in 2013.

These errors were a result of inadequate policies and procedures in reviewing the financial statements. The accompanying financial statements have been adjusted to correct these errors. To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the annual report by the Board of Trustees to identify and correct errors, omissions, and misclassifications. The Township should also review AoS Bulletin 2011-004 for guidance on GASB Statement No. 54 requirements.

Officials' Response:

We acknowledge errors were made and will properly post these transactions in the future.

MADISON TOWNSHIP
SANDUSKY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material weakness over financial reporting due to errors in financial statements.	No	Not corrected and repeated as Finding Number 2014-003 in this report.

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Dave Yost • Auditor of State

MADISON TOWNSHIP

SANDUSKY 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
AUGUST 13, 2015**