



Dave Yost • Auditor of State

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Madison Township
Fairfield County
4300 Julian Road
Lancaster, OH 43130

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Madison Township, Fairfield County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, 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, Fairfield County, Ohio as of December 31, 2012 and 2011, 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 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Madison Township, Fairfield County, Ohio adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2013, 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

August 1, 2013

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 10,444	\$ 78,396	\$ 88,840
Licenses, Permits and Fees	21,363	-	21,363
Intergovernmental	16,905	108,134	125,039
Earnings on Investments	4	4	8
Miscellaneous	2,344	-	2,344
<i>Total Cash Receipts</i>	<u>51,060</u>	<u>186,534</u>	<u>237,594</u>
Cash Disbursements			
Current:			
General Government	56,858		56,858
Public Safety	-	40,548	40,548
Public Works	11,947	160,745	172,692
Health	16,000	-	16,000
Other	3,750	-	3,750
Capital Outlay	-	16,459	16,459
<i>Total Cash Disbursements</i>	<u>88,555</u>	<u>217,752</u>	<u>306,307</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(37,495)</u>	<u>(31,218)</u>	<u>(68,713)</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	1,100	1,100
Transfers Out	(1,100)	-	(1,100)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,100)</u>	<u>1,100</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(38,595)	(30,118)	(68,713)
<i>Fund Cash Balances, January 1</i>	<u>35,918</u>	<u>124,208</u>	<u>160,126</u>
Fund Cash Balances, December 31			
Restricted	-	94,090	94,090
Unassigned (Deficit)	(2,677)	-	(2,677)
<i>Fund Cash Balances, December 31</i>	<u>\$ (2,677)</u>	<u>\$ 94,090</u>	<u>\$ 91,413</u>

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

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 11,615	\$ 93,742	\$ 105,357
Licenses, Permits and Fees	22,284	-	22,284
Intergovernmental	86,439	95,499	181,938
Earnings on Investments	14	28	42
Miscellaneous	3,039	-	3,039
<i>Total Cash Receipts</i>	<u>123,391</u>	<u>189,269</u>	<u>312,660</u>
Cash Disbursements			
Current:			
General Government	50,309	-	50,309
Public Safety	-	32,323	32,323
Public Works	31,982	108,759	140,741
Health	7,800	-	7,800
Other	500	-	500
Capital Outlay	-	13,796	13,796
<i>Total Cash Disbursements</i>	<u>90,591</u>	<u>154,878</u>	<u>245,469</u>
<i>Net Change in Fund Cash Balances</i>	32,800	34,391	67,191
<i>Fund Cash Balances, January 1</i>	<u>3,118</u>	<u>89,817</u>	<u>92,935</u>
Fund Cash Balances, December 31			
Restricted	-	124,208	124,208
Unassigned (Deficit)	35,918	-	35,918
<i>Fund Cash Balances, December 31</i>	<u>\$ 35,918</u>	<u>\$ 124,208</u>	<u>\$ 160,126</u>

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

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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, Fairfield 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 services. The Township contracts with Amanda Township to provide fire services and ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims exceeding the members' deductibles.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Township has interest bearing checking and savings accounts.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (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:

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

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

Fire District Fund - This fund receives property tax money to provide fire protection to Township residents.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F Fund Balance

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

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Equity in Pooled Deposits and Investments

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

	2011	2012
Demand deposits	160,126	91,413

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,794	\$51,060	(\$6,734)
Special Revenue	162,927	187,634	24,707
Total	\$220,721	\$238,694	\$17,973

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,000	\$89,655	\$5,345
Special Revenue	213,260	217,752	(4,492)
Total	\$308,260	\$307,407	\$853

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$123,352	\$123,391	\$39
Special Revenue	165,610	189,269	23,659
Total	\$288,962	\$312,660	\$23,698

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,000	\$90,591	(\$20,591)
Special Revenue	178,510	154,878	23,632
Total	\$248,510	\$245,469	\$3,041

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$20,591 for the year ended December 31, 2012 and in Gas Tax Fund by \$6,626 and Fire District Fund by \$549 for the year ended December 31, 2011. Also, contrary to Ohio law at December 31, 2012, the General Fund had a cash deficit fund balance of \$2,677.

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.

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

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

5. Lease

Leases outstanding at December 31, 2012 was as follows:

	Lease
Ford Motor Credit	\$57,816

The lease is for the purchase of a 2012 Ford F-550 truck. Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Lease Payment
2013	\$ 14,454
2014	\$ 14,454
2015	\$ 14,454
2016	\$ 14,454
	\$ 57,816

6. Retirement Systems

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

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

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. (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:

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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) confirm with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2012 and 2011.

	2012	2011
Assets	\$34,771,270	\$35,086,165
Liabilities	(\$9,355,082)	(\$9,718,792)
Net Position	\$25,416,188	\$25,367,373

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and 8.6 million of unpaid claims to be billed to approximately 944 member governments in the future as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

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

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$5,141	\$5,650

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.

8. Related Party Transactions

The Township paid \$6,000 in 2012 and 2011 to the Lamp Family Farms for mowing and lawn care services for the four township cemeteries and a township lot. The Township Fiscal Officer, Barbara Lamp, who was in office until April 1, 2012, is part owner of the Lamp Family Farms.

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

Madison Township
Fairfield County
4300 Julian Road
Lancaster, Ohio 43130

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, Fairfield County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated August 1, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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 2012-001 through 2012-003.

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

August 1, 2013

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Financial Statement Adjustments- Material Weakness & Noncompliance

Sound financial reporting is the responsibility of the Fiscal Officer and the members of Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Ohio Rev. Code Section 5705.10(D) states in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. The following adjustments made to the financial statements and accounting records for the year ended December 31, 2012 were in violation of Ohio Revised Code Section 5705.10, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose:

- To reduce property taxes in the Fire District Fund by \$5,242 and increase property tax receipts in the Road & Bridge Fund for the same amount.
- To reduce Rollback monies incorrectly recorded as General fund property taxes and increase intergovernmental receipts in the Road & Bridge Fund for \$2,262.

The following additional adjustment was made to the financial statements and accounting records for the year ended December 31, 2012:

- To reclassify Rollback monies incorrectly recorded as property tax receipts in the amount of \$940 in the General Fund as intergovernmental receipts.

The following adjustment made to the financial statements and accounting records for the year ended December 31, 2011 was in violation of Ohio Revised Code Section 5705.10, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose:

- To reduce Rollback monies incorrectly recorded as General Fund property taxes in the amount of \$1,672 and increase intergovernmental receipts in the Fire District fund by \$556, and in the Road and Bridge fund by \$1,116.

The following additional adjustments were made to the financial statements and accounting records for the year ended December 31, 2011:

- To reclassify Rollback monies incorrectly recorded as property tax receipts in the amount of \$8,692 in the Road and Bridge Fund as intergovernmental receipts.
- To reclassify Rollback monies incorrectly recorded as property tax receipts in the amount of \$1,848 in the General Fund as intergovernmental receipts.

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-001

Financial Statement Adjustments- Material Weakness & Noncompliance (Continued)

The following variances were identified during the audit but were immaterial and not posted to the Financial statements or accounting records:

- In 2012, to reclassify Rollback monies received and posted as property tax receipts to intergovernmental receipts in the amount of \$944 in the General fund and \$4,171 in Special Revenue funds
- In 2011, to reclassify insurance reimbursements as miscellaneous receipts in the General Fund for \$1,939.

A monitoring system should be in place to prevent or detect material misstatements for the accurate recording of financial activity in the accounting records and presentation of the Township's financial statements. As part of the monitoring system, complete, accurate and timely reconciliations should be performed by the Fiscal Officer documenting the agreement of the Township's book and bank balances and these reconciliations should be submitted to the Trustees for monthly review.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions, the Ohio Township Handbook and AOS Bulletins. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

FINDING NUMBER 2012-002

Expenditures Exceeding Appropriations- Non- Compliance

Ohio Revised Code Section 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Township is the level at which the Trustees adopts the original appropriation measure.

The Township Trustees approve appropriations at the fund-function-object level of control. Appropriations were entered into the Township's accounting system for the General fund for 2011 at \$56,000 higher than the amount approved by the Trustees in open meeting. This resulted in the Township's actual expenditures exceeding approved appropriations within the fund by \$20,591 among various line items. Similar errors occurred in 2012 within the Gas Tax fund that resulted in expenditures exceeding appropriations by \$6,626 among various expenditure line items.

Failure to have adequate appropriation authority in place at the time of expenditure prohibits the Trustees and from being able to adequately monitor the status of the approved appropriations in comparison of the Township's activity to determine if additional appropriations need to be approved by the Trustees. The Fiscal Officer should deny payment of any invoice that cannot be fully support by approved appropriations.

**MADISON TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-002

Expenditures Exceeding Appropriations- Non- Compliance (Continued)

We recommend the Fiscal officer ensure that only approved appropriations are entered into the Township's accounting system and for the Trustee's to review monthly budgetary reports to ensure that approved appropriations are sufficient to support the activity of the Township. Once supplemental appropriations are approved by the Trustees, the modifications should be reported to the County Auditor's office to ensure that appropriations do not exceed estimated resources.

FINDING NUMBER 2012-003

Negative Fund Balance- Non-Compliance

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

The Township had a negative fund balance of \$2,677 in the General Fund in 2012 due to adjustments made during the financial audit.

We recommend Township management and the Board of Trustees to monitor the posting of revenues and expenditures to ensure amounts are being recorded within the proper funds so that the Township can effectively budget the Township's resources.

Official's Response: We did not receive a response from Officials to the findings reported above.

MADISON TOWNSHIP
FAIRFIELD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Posting Amended Budgets	No.	Reissued as Finding 2012-002



Dave Yost • Auditor of State

MADISON TOWNSHIP

FAIRFIELD 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
NOVEMBER 12, 2013**