



OHIO AUDITOR OF STATE
KEITH FABER



**MADISON TOWNSHIP
BUTLER COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Madison Township
Butler County
5610 W Alexandria Road
Middletown, Ohio 45042

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Madison Township, Butler County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

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(C) 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(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) 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, 2019 and 2018, 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 Madison Township, Butler County as of December 31, 2019 and 2018, 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(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may 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 June 16, 2022, 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
June 16, 2022

Madison Township

Butler 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, 2019

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$105,898	\$1,121,043	\$0	\$0	\$1,226,941
Charges for Services		113,208			113,208
Licenses, Permits and Fees	77,403	31,375			108,778
Intergovernmental	165,433	304,552			469,985
Special Assessments	5,194		5,025		10,219
Earnings on Investments	2,364				2,364
Miscellaneous	45,487	56,928			102,415
<i>Total Cash Receipts</i>	<u>401,779</u>	<u>1,627,106</u>	<u>5,025</u>	<u>0</u>	<u>2,033,910</u>
Cash Disbursements					
Current:					
General Government	480,427	13,902			494,329
Public Safety		1,415,558			1,415,558
Public Works	3,850	575,757	4,850		584,457
Health		121,330			121,330
Conservation-Recreation	9,086				9,086
Capital Outlay	15,450				15,450
Debt Service:					
Principal Retirement		30,376			30,376
<i>Total Cash Disbursements</i>	<u>508,813</u>	<u>2,156,923</u>	<u>4,850</u>	<u>0</u>	<u>2,670,586</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(107,034)</u>	<u>(529,817)</u>	<u>175</u>	<u>0</u>	<u>(636,676)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds		281,877			281,877
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>281,877</u>	<u>0</u>	<u>0</u>	<u>281,877</u>
<i>Net Change in Fund Cash Balances</i>	<u>(107,034)</u>	<u>(247,940)</u>	<u>175</u>	<u>0</u>	<u>(354,799)</u>
<i>Fund Cash Balances, January 1</i>	<u>(1,794)</u>	<u>1,619,093</u>	<u>11,875</u>	<u>1,220</u>	<u>1,630,394</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$108,828)</u>	<u>\$1,371,153</u>	<u>\$12,050</u>	<u>\$1,220</u>	<u>\$1,275,595</u>

See accompanying notes to the basic financial statements

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Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison Township, Butler 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 Butler County Sheriff's Office provides police protection.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provide additional information for this public entity risk pool.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist 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 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:

Gas Tax Fund The Gas Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The Road and Bridge Fund accounts for and reports that portion of property tax receipts restricted for construction, maintenance, and repair of roads within the Township.

Fire Department Fund The Fire Department Fund accounts for and reports that portion of property tax receipts restricted for the operational needs of the Township's Fire Department.

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 capital assets. The Township had the following Capital Project Fund:

Lighting Assessment Fund The Lighting Assessment Fund receives special assessments receipts from affected homeowners for installation and maintenance of street lighting.

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Permanent Funds These funds account for and report 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 Endowment Fund The Cemetery Endowment Fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

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 (C). 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 (C) 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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Capital Assets

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

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.

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$401,130	\$401,779	\$649
Special Revenue	1,908,785	1,908,983	198
Capital Projects	5,025	5,025	0
Trust	0	0	0
Total	\$2,314,940	\$2,315,787	\$847

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$419,356	\$508,813	(\$89,457)
Special Revenue	2,242,955	2,156,923	86,032
Capital Projects	4,850	4,850	0
Trust	0	0	0
Total	\$2,667,161	\$2,670,586	(\$3,425)

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit and investment accounts are as follows:

	2019
<i>Cash Management Pool:</i>	
Demand deposits	\$1,174,595
Certificates of deposit	1,000
Total deposits	1,175,595
STAR Ohio	100,000
Total investments	100,000
<i>Total carrying amount of deposits and investments held in the Pool (ties to FS)</i>	\$1,275,595

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2019, the Township was holding \$14,547 in unremitted employee payroll withholdings.

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Deposits

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.

Investments

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

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – 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 Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- 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>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries.

Note 8 – 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.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

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

	Principal	Interest Rate
OPWC	\$141,758	0%
Mini Pumper Lease	281,877	3.20%
Total	\$423,635	

The Ohio Public Works Commission (OPWC) loan issued in 2016 relates to the Wayne-Madison Road reconstruction. The loan will be repaid in semiannual installments of \$10,125 at 0% interest, over 10 years.

The Public Pinnacle Finance lease issued in October 2019 relates to the master equipment lease purchase of a 2019 E-ONE Mini Pumper Truck for the Fire Department. The lease will be repaid in annual installments of \$33,383 at 3.2% interest, over 10 years.

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

Year Ending December 31:	OPWC	Mini Pumper Lease	Total
2020	\$20,251	\$33,383	\$53,634
2021	20,251	33,383	53,634
2022	20,251	33,383	53,634
2023	20,251	33,383	53,634
2024	20,251	33,383	53,634
2025-2027	40,503	200,297	240,800
Total	\$141,758	\$367,212	\$508,970

Note 10 – Related Party Transactions

A Township Trustee is the father of the Township Road Supervisor. The Trustee voted on ordinances during 2019 pertaining to the road department. Another Township Trustee is the son of the Township Fire Chief. The Trustee voted on ordinances during 2019 pertaining to the fire department.

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end, the balances of these amounts were as follows:

Fund Balances	Permanent	Total
Nonspendable:		
Corpus	\$1,000	\$1,000
Total	\$1,000	\$1,000

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency continues. During 2021, the Township received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2019

the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Noncompliance

At December 31, 2019, the Township's General Fund had a negative fund balance of (\$108,828).

Madison Township*Butler 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	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$101,050	\$1,062,940	\$0	\$0	\$1,163,990
Charges for Services		140,910			140,910
Licenses, Permits and Fees	79,401	28,845			108,246
Intergovernmental	162,902	567,281		1	730,184
Special Assessments	11,500		5,006		16,506
Earnings on Investments	1,861				1,861
Miscellaneous	32,956	62,885			95,841
<i>Total Cash Receipts</i>	<u>389,670</u>	<u>1,862,861</u>	<u>5,006</u>	<u>1</u>	<u>2,257,538</u>
Cash Disbursements					
Current:					
General Government	480,145	9,070			489,215
Public Safety		717,011			717,011
Public Works	5,166	534,363	5,191		544,720
Health		173,365			173,365
Conservation-Recreation	4,637				4,637
Capital Outlay		296,151			296,151
Debt Service:					
Principal Retirement		18,501			18,501
Interest and Fiscal Charges		1,750			1,750
<i>Total Cash Disbursements</i>	<u>489,948</u>	<u>1,750,211</u>	<u>5,191</u>	<u>0</u>	<u>2,245,350</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(100,278)</u>	<u>112,650</u>	<u>(185)</u>	<u>1</u>	<u>12,188</u>
<i>Fund Cash Balances, January 1</i>	<u>98,484</u>	<u>1,506,443</u>	<u>12,060</u>	<u>1,219</u>	<u>1,618,206</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$1,794)</u>	<u>\$1,619,093</u>	<u>\$11,875</u>	<u>\$1,220</u>	<u>\$1,630,394</u>

See accompanying notes to the basic financial statements

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Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Gas Tax Fund The Gas Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The Road and Bridge Fund accounts for and reports that portion of property tax receipts restricted for construction, maintenance, and repair of roads within the Township.

Fire Department Fund The Fire Department Fund accounts for and reports that portion of property tax receipts restricted for the operational needs of the Township's Fire Department.

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 capital assets. The Township had the following Capital Project Funds:

Public Works Commission Projects Fund The Public Works Commission Projects Fund received a grant from the State in 2016 for capital improvements to Township property.

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Lighting Assessment Fund The Lighting Assessment Fund receives special assessments receipts from affected homeowners for installation and maintenance of street lighting.

Permanent Funds These funds account for and report 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 Endowment Fund The Cemetery Endowment Fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

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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 (C) 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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$653,912	\$389,670	(\$264,242)
Special Revenue	1,598,620	1,862,861	264,241
Capital Projects	5,006	5,006	0
Trust	0	1	1
Total	\$2,257,538	\$2,257,538	\$0

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$676,710	\$484,984	\$191,726
Special Revenue	1,408,294	1,750,211	(341,917)
Capital Projects	17,065	5,191	11,874
Trust	0	0	0
Total	\$2,102,069	\$2,240,386	(\$138,317)

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

	2018
<i>Cash Management Pool:</i>	
Demand deposits	\$1,529,394
Certificates of deposit	1,000
Total deposits	1,530,394
STAR Ohio	100,000
Total investments	100,000
<i>Total carrying amount of deposits and investments held in the Pool (ties to FS)</i>	\$1,630,394

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2018, the Township was holding \$15,460 in unremitted employee payroll withholdings.

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits

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.

Investments

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

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 – 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 Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- 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

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries.

Note 8 – 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.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
OPWC	<u>\$172,133</u>	0%
Total	<u><u>\$172,133</u></u>	

The Ohio Public Works Commission (OPWC) loan issued in 2016 relates to the Wayne-Madison Road reconstruction. The loan will be repaid in semiannual installments of \$10,125 at 0% interest, over 10 years.

Amortization

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

Madison Township
Butler County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Year Ending December 31:	OPWC
2019	\$20,251
2020	20,251
2021	20,251
2022	20,251
2023	20,251
2024-2027	70,878
Total	<u>\$172,133</u>

Note 10 – Related Party Transactions

A Township Trustee is the father of the Township Road Supervisor. The Trustee voted on ordinances during 2018 pertaining to the road department. Another Township Trustee is the son of the Township Fire Chief. The Trustee voted on ordinances during 2018 pertaining to the fire department.

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end, the balances of these amounts were as follows:

Fund Balances	General	Permanent	Total
Nonspendable:			
Corpus		\$1,000	\$1,000
Outstanding Encumbrances	89		89
Total	\$89	\$1,000	\$1,089

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – Noncompliance

At December 31, 2018, the Township’s General Fund had a negative fund balance of (\$1,794).

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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
Butler County
5610 W Alexandria Road
Middletown, Ohio 45042

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Madison Township, Butler County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 16, 2022, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and how the continuing emergency measures may 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 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 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 financial statement. 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 2019-002 and 2019-003.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
June 16, 2022

**MADISON TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

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.

We identified the following conditions related to the Township's financial statements at December 31, 2019:

- The Township entered into a lease through Pinnacle Public Finance, Inc. which was misclassified as a sale of bonds in the Fire Department Fund in the amount of \$281,877.
- Payment of a portion of salaries and benefits for the Township Administrator's salary may be permissible from funds other than the General Fund when a township administrator is performing services directly benefitting other funds. The Township recorded the Township Administrator's gross salary of \$77,610 for December 31, 2019 in the Fire Fund and the Township's share of payroll withholdings of \$11,758 in the Fire Fund. Supporting documentation was not provided to support allocating his salary to any fund other than the General Fund.

We identified the following conditions related to the Township's financial statements at December 31, 2018:

- The Township posted \$8,778 in grant receipts to miscellaneous receipts instead of intergovernmental receipts which resulted in an overstatement of miscellaneous receipts and an understatement of intergovernmental receipts in the Fire Fund.
- The Township posted \$11,853 in intergovernmental receipts instead of charges for services which resulted in an understatement of charges for services and an overstatement of intergovernmental receipts of \$11,853 in the Special Revenue Funds.
- The Township posted \$264,242 in intergovernmental receipts to the General Fund rather than the Special Revenue Funds resulting in an overstatement in intergovernmental receipts in the General Fund and an understatement in intergovernmental receipts in the Special Revenue Funds and overstatement of \$264,241 capital outlay expenditures in General Fund and understatement of capital outlay expenditures in the Special Revenue Funds.
- The Township misclassified debt in the wrong funds which resulted in an overstatement of \$11,875 in capital outlay in the Capital Projects Fund and an understatement of \$10,125 in principal retirement and \$1,750 in Interest and Fiscal Charges in the Road and Bridge Fund.
- Payment of a portion of salaries and benefits for the Township Administrator's salary may be permissible from funds other than the General Fund when a township administrator is performing services directly benefitting other funds. The Township recorded the Township Administrator's gross salary of \$72,986 for December 31, 2018 in the Fire Fund and the Township's share of payroll withholdings of \$11,218 in the Fire Fund. Supporting documentation was not provided to support allocating his salary to any fund other than the General Fund.

The Township has adjusted their financial statements and accounting system for these items, where applicable.

**FINDING NUMBER 2019-001
(Continued)**

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

Due care should be exercised when posting entries to the financial records and preparation of the financial statements to prevent errors and to assist in properly reflecting the Township's activity. In addition, the Board should adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner. The Township should maintain documentation of the Township Administrator of the services provided to other funds to help ensure all transactions are reviewed for posting to the proper funds.

Officials' Response:

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

FINDING NUMBER 2019-002

Finding For Recovery – Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgement of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditures of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During 2019, the Township was assessed penalties and interest charges for late payments related to Internal Revenue Service (IRS) tax filings and payments. The Township paid \$24,395 in late fees and penalties to the Internal Revenue Service. These penalties and interest were paid on December 4, 2019. The Township was also assessed late fees and interest charges related to utilities in the amount of \$75.

During 2018, the Township was assessed late fees and interest charges related to utilities and credit cards payments in the amount of \$674.

The payment of late fees and penalties due to the inability of the Fiscal Officer to make timely payment is not a proper public purpose. In accordance with the forgoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Amy Schenck, Fiscal Officer, in the amount of \$25,144 and in favor of Madison Township's General Fund.

On June 16, 2022, Amy Schenck paid Madison Township \$25,144 by cashier's check. This finding is considered to be repaid in full.

Officials' Response:

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

FINDING NUMBER 2019-003

Noncompliance

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

Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The General Fund had deficit fund balances of (\$108,828) at December 31, 2019 and (\$1,794) at December 31, 2018. Negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure(s) and control(s), such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Officials' Response:

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

OHIO AUDITOR OF STATE KEITH FABER



MADISON TOWNSHIP

BUTLER 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 2/21/2023

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