



***MADISON TOWNSHIP, FAYETTE COUNTY***

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**Regular Audit**

**For the Years Ended  
December 31, 2016 and 2015**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

Board of Trustees  
Madison Township  
8250 Rockwell Road  
Mount Sterling, OH 43143

We have reviewed the *Independent Auditor's Report* of Madison Township, Fayette County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Madison Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 29, 2017

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**MADISON TOWNSHIP, FAYETTE COUNTY**  
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*For the Years Ended December 31, 2016 and 2015*

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## Independent Auditor's Report

Board of Trustees  
Madison Township, Fayette County  
8250 Rockwell Road  
Mount Sterling, OH 43143

### Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Madison Township, Fayette County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

### *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 permit; this responsibility includes designing, implementing, and maintaining internal control relevant to the 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 statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal controls 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 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D), which is an accounting basis other than accounting principles generally accepted in the United States of America, 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 (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, 2016 and 2015, or changes in financial position for the year 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 the Madison Township, Fayette County as of December 31, 2016 and 2015, 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 permits, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated July 20, 2017 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.

***J. L. Uhrig and Associates, Inc.***

J. L. Uhrig and Associates, Inc.  
Chillicothe, Ohio

July 20, 2017



**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2016**

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
<b><u>Cash Receipts:</u></b>				
Local Taxes	\$92,225	\$98,777	\$0	\$191,002
Intergovernmental	31,323	95,670	0	126,993
Special Assessments	0	2,478	0	2,478
Licenses, Permits, and Fees	0	6,550	0	6,550
Earnings on Investments	14	25	0	39
Other Revenue	1,102	0	0	1,102
<b>Total Cash Receipts</b>	<b>124,664</b>	<b>203,500</b>	<b>0</b>	<b>328,164</b>
<b><u>Cash Disbursements:</u></b>				
<i>Current:</i>				
General Government	112,290	0	0	112,290
Public Safety	0	105,810	0	105,810
Public Works	0	28,710	0	28,710
Health	2,908	28,185	0	31,093
Capital Outlay	0	46,155	0	46,155
<b>Total Cash Disbursements</b>	<b>115,198</b>	<b>208,860</b>	<b>0</b>	<b>324,058</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>9,466</b>	<b>(5,360)</b>	<b>0</b>	<b>4,106</b>
<b>Fund Cash Balances, January 1</b>	<b>101,155</b>	<b>225,223</b>	<b>4</b>	<b>326,382</b>
Restricted	0	219,863	4	219,867
Assigned	110,621	0	0	110,621
<b>Fund Cash Balances, December 31</b>	<b>\$110,621</b>	<b>\$219,863</b>	<b>\$4</b>	<b>\$330,488</b>

See accompanying notes to the financial statements.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2015**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Totals
<b><u>Cash Receipts:</u></b>				
Local Taxes	\$76,359	\$97,487	\$0	\$173,846
Intergovernmental	30,322	96,278	0	126,600
Special Assessments	0	2,423	0	2,423
Licenses, Permits, and Fees	0	6,900	0	6,900
Earnings on Investments	12	23	0	35
Other Revenue	1,186	0	0	1,186
<b>Total Cash Receipts</b>	<b>107,879</b>	<b>203,111</b>	<b>0</b>	<b>310,990</b>
<b><u>Cash Disbursements:</u></b>				
<i>Current:</i>				
General Government	105,478	0	0	105,478
Public Safety	0	68,201	0	68,201
Public Works	0	7,762	0	7,762
Health	2,919	32,279	0	35,198
Capital Outlay	0	64,435	0	64,435
<i>Debt Service:</i>				
Redemption of Principal	0	15,476	0	15,476
Interest and Fiscal Charges	0	571	0	571
<b>Total Cash Disbursements</b>	<b>108,397</b>	<b>188,724</b>	<b>0</b>	<b>297,121</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(518)</b>	<b>14,387</b>	<b>0</b>	<b>13,869</b>
<b>Fund Cash Balances, January 1</b>	<b>101,673</b>	<b>210,836</b>	<b>4</b>	<b>312,513</b>
Restricted	0	225,223	4	225,227
Assigned	101,155	0	0	101,155
<b>Fund Cash Balances, December 31</b>	<b>\$101,155</b>	<b>\$225,223</b>	<b>\$4</b>	<b>\$326,382</b>

See accompanying notes to the financial statements.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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**Note 1 – Reporting Entity**

Madison Township, Fayette County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The Township provides general government services, maintenance of Township roads and bridges, and maintenance of cemeteries.

The Township contracts with the BPM Joint Fire District and the Tri-County Joint Fire District to provide fire services.

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

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The Township's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**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:

**General Fund:** The General Fund is the general operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

**Special Revenue Funds:** These funds are used to account for proceeds from specific sources (other than trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

*Motor Vehicle License Tax Fund* – This fund receives motor vehicle license tax money to pay for constructing, maintaining and repairing Township roads.

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

*Fire District Fund* – This fund receives property tax money to pay for fire and ambulance services.

*Cemetery Fund* – This fund receives property tax money to provide upkeep of the Township's cemeteries.

**Budgetary Process**

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

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**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 Fayette County Budget Commission must also approve the annual appropriation measure. 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 Fayette County Budget Commission must also certify estimated resources.

**Encumbrances:** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the following year.

A summary of 2016 and 2015 budgetary activity appears in Note 4.

**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.

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

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

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

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

**Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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**Note 3 – Cash and Investments**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Township had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2016	December 31, 2015
Demand Deposits	\$330,488	326,382

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

**Note 4 – Budgetary Basis of Accounting**

The Township's budgetary activity for the years ending December 31, 2016 was as follows:

2016 Budgeted vs. Actual Receipts

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Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$86,722	\$124,664	\$37,942
Special Revenue	201,830	203,500	1,670
<i>Total</i>	\$288,552	\$328,164	\$39,612

2016 Budgeted vs. Actual Budgetary Expenditures

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Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$187,877	\$115,198	\$72,679
Special Revenue	427,061	208,860	218,201
<i>Total</i>	\$614,938	\$324,058	\$290,880

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

**Note 4 – Budgetary Basis of Accounting** (continued)

The Township’s budgetary activity for the years ending December 31, 2015 was as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$77,576	\$107,879	\$30,303
Special Revenue	196,280	203,111	6,831
<i>Total</i>	\$273,856	\$310,990	\$37,134

2015 Budgeted vs. Actual Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
	General	\$179,249	
Special Revenue	407,119	188,724	218,395
<i>Total</i>	\$586,368	\$297,121	\$289,247

**Note 5- Debt**

Debt outstanding at December 31, 2015 was as follows:

Description of Issue	Issue Date	Interest Rate	Principal Balance 12-31-14	Issued in 2015	Retired In 2015	Principal Balance 12-31-15
<i>General Obligation Note</i>						
Truck and Snow Plow	2012	3.598%	\$15,476	\$0	\$15,476	\$0
	Total		\$15,476	\$0	\$15,476	\$0

During 2012, the Township obtained a note in order to purchase a Truck and Snow Plow to use to provide road maintenance services. The note was fully repaid in 2015.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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**Note 6– Property Taxes**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, the first half is due December 31, and 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.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township contracted with 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. 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 that exceed the members' deductibles.

**Casualty Coverage**

OTARMA retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

**Property Coverage**

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of OTARMA's retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverage's to OTARMA.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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**Note 7 – Risk Management** (continued)

**Financial Position**

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015 and 2014:

<u>Combined Coverage</u>	2015	2014
Assets	\$37,313,311	\$35,970,263
Liabilities	(8,418,518)	(8,912,432)
Retained Earnings	\$28,894,793	\$27,057,831

The Pool’s membership increased from 957 members in 2014 to 989 members in 2015.

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool’s primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York Risk Pooling Services, Inc. (YORK). APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2015 the Pool retained \$350,000 for casualty claims and \$250,000 for property claims). The Board of Directors and YORK periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

**Note 8 – Retirement Systems**

The Township’s employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2016 and 2015, members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2016.



**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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**Note 9 – Fund Cash Balances**

As of December 31, 2016, fund balances are composed of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
<i>Restricted:</i>				
Motor Vehicle License Tax	\$0	\$14,463	\$0	\$14,463
Gasoline Tax	0	68,263	0	68,263
Cemetery	0	118,751	0	118,751
Lighting	0	4,745	0	4,745
Permissive MVL	0	13,615	0	13,615
Fire District	0	26	0	26
Debt Service	0	0	4	4
<i>Assigned:</i>				
Future Appropriations	<u>110,621</u>	<u>0</u>	<u>0</u>	<u>110,621</u>
Total	<u><u>\$110,621</u></u>	<u><u>\$219,863</u></u>	<u><u>\$4</u></u>	<u><u>\$330,488</u></u>

As of December 31, 2015, fund balances are composed of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
<i>Restricted:</i>				
Motor Vehicle License Tax	\$0	\$12,742	\$0	\$12,742
Gasoline Tax	0	50,340	0	50,340
Cemetery	0	108,637	0	108,637
Lighting	0	3,609	0	3,609
Permissive MVL	0	11,319	0	11,319
Fire District	0	38,576	0	38,576
Debt Service	0	0	4	4
<i>Assigned:</i>				
Future Appropriations	<u>101,155</u>	<u>0</u>	<u>0</u>	<u>101,155</u>
Total	<u><u>\$101,155</u></u>	<u><u>\$225,223</u></u>	<u><u>\$4</u></u>	<u><u>\$326,382</u></u>

**Note 10 – Related Party Transactions**

The Township does business with a Trustee’s business (D. D. Excavating). The Township hires D. D. Excavating to open and close cemetery graves. The Trustee does not vote on payment, does not sign checks for payment, and refrains from discussions concerning the same issues.

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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***

Board of Trustees  
Madison Township, Fayette County  
8250 Rockwell Road  
Mount Sterling, OH 43143

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 Madison Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated July 20, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified 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 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 2016-001 described in the accompanying schedule of findings to be a material weakness.

Board of Trustees  
Madison Township, Fayette County  
Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*

### **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 2016-001 and 2016-002.

### **Entity's Response to Findings**

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses 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.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

July 20, 2017

**MADISON TOWNSHIP, FAYETTE COUNTY**  
*Schedule of Findings*  
*For the Years Ended December 31, 2016 and 2015*

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

*Finding Number 2016-001*

**Financial Record Keeping – Material Weakness/Noncompliance Citation**

Ohio Administrative Code (OAC) Section 117-2-02(A) directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record, and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC Section 117-2-02(D) allows the records to be maintained manually or in a computerized format and requires the following: (1) Cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction; (2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number, and other information necessary to record the transaction on this ledger, and; (3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

Receipt transactions were posted to the incorrect account code in 2015 and 2016. Disbursements were recorded in the incorrect function in 2015 and 2016. This did not allow the Fiscal Officer to accurately reflect the receipt or disbursement transactions of the Township.

The fact that the posting and reporting errors resulting in reclassification and adjusting entries occurred, indicates a significant deficiency in the internal controls over financial record keeping and reporting and resulted in the inaccurate reflection of the receipts and disbursements for the Township for 2015 and 2016.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and the description of the accounts and maintain the receipt ledger in the manner prescribed therein.

**Officials' Response**

The Township is striving to correct this for future periods.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
*Schedule of Findings*  
*For the Years Ended December 31, 2016 and 2015*

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

*Finding Number 2016-002*

**Certification of Expenditures - Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Section 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**1. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure was otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**2. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** - The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2016 and 2015**

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

***Finding Number 2016-002 (continued)***

During testing it was noted that 100% of transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend that no orders involving the expenditure of money be made unless the Fiscal Officer has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

**Officials' Response**

The Township is striving to correct this for future periods.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2016 and 2015**

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<b>Description</b>	<b>Status</b>	<b>Comments</b>
<b><i>Government Auditing Standards:</i></b>		
1. Significant deficiency/noncompliance citation for posting and reporting errors.	Not corrected	Reissued as finding 2016-001
2. Significant deficiency/noncompliance citation for prior certification of funds.	Not corrected	Reissued as finding 2016-002





# Dave Yost • Auditor of State

**MADISON TOWNSHIP**

**FAYETTE 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  
OCTOBER 24, 2017**