



**Auditor of State
Betty Montgomery**

MAD RIVER TOWNSHIP
CLARK COUNTY

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**Auditor of State
Betty Montgomery**

Mad River Township
Clark County
P.O. Box 34
Enon, Ohio 45323

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 7, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Mad River Township
Clark County
P.O. Box 34
Enon, Ohio 45323

To the Board of Trustees:

We have audited the accompanying financial statements of Mad River Township, Clark County, (the Township), as of and for the years ended December 31, 2004 and December 31, 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Mad River Township, Clark County, as of December 31, 2004 and December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 7, 2005

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$98,116	\$879,476		\$172,718	\$1,150,310
Intergovernmental	85,112	250,671		20,697	356,480
Special Assessments		5,592			5,592
Charges for Services		268,946			268,946
Licenses, Permits, and Fees	38,961	26,350			65,311
Fines, Forfeitures, and Penalties	5,518				5,518
Earnings on Investments	25,778	2,350			28,128
Other Revenue	1,019	13,874		291,184	306,077
Total Cash Receipts	<u>254,504</u>	<u>1,447,259</u>		<u>484,599</u>	<u>2,186,362</u>
Cash Disbursements:					
Current:					
General Government	167,450				167,450
Public Safety		581,091		588,974	1,170,065
Public Works	148,213	342,267			490,480
Health		220,485			220,485
Contract Services		16,655			16,655
Debt Service:					
Redemption of Principal			\$173,432		173,432
Interest and Fiscal Charges			8,431		8,431
Capital Outlay	108,080	301,823			409,903
Total Cash Disbursements	<u>423,743</u>	<u>1,462,321</u>	<u>181,863</u>	<u>588,974</u>	<u>2,656,901</u>
Total Receipts Over/(Under) Disbursements	<u>(169,239)</u>	<u>(15,062)</u>	<u>(181,863)</u>	<u>(104,375)</u>	<u>(470,539)</u>
Other Financing Receipts and (Disbursements):					
Loan Proceeds				400,000	400,000
Transfers-In			181,863		181,863
Advances-In	10,000	10,000			20,000
Transfers-Out				(181,863)	(181,863)
Advances-Out	(10,000)	(10,000)			(20,000)
Other Sources	10,440				10,440
Total Other Financing Receipts/(Disbursements)	<u>10,440</u>		<u>181,863</u>	<u>218,137</u>	<u>410,440</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(158,799)	(15,062)		113,762	(60,099)
Fund Cash Balances, January 1	647,965	960,902		125,947	1,734,814
Fund Cash Balances, December 31	<u><u>\$489,166</u></u>	<u><u>\$945,840</u></u>	<u><u>\$0</u></u>	<u><u>\$239,709</u></u>	<u><u>\$1,674,715</u></u>

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

MAD RIVER TOWNSHIP
CLARK COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Non-Expendable Trust</u>
Cash Receipts:	
Interest	<u>\$108</u>
Net Income	<u>108</u>
Fund Cash Balances, January 1	<u>3,422</u>
Fund Cash Balances, December 31	<u><u>\$3,530</u></u>

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

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$95,895	\$864,980		\$168,784	\$1,129,659
Intergovernmental	151,405	219,144		20,442	390,991
Special Assessments		5,549			5,549
Charges for Services		223,502			223,502
Licenses, Permits, and Fees	35,029	31,750			66,779
Fines, Forfeitures, and Penalties	3,252				3,252
Earnings on Investments	36,567	9,795			46,362
Other Revenue	784	57,200			57,984
Total Cash Receipts	<u>322,932</u>	<u>1,411,920</u>		<u>189,226</u>	<u>1,924,078</u>
Cash Disbursements:					
Current:					
General Government	163,132				163,132
Public Safety		503,929			503,929
Public Works		167,965			167,965
Health		239,974			239,974
Debt Service:					
Redemption of Principal			\$150,000		150,000
Interest and Fiscal Charges			23,988		23,988
Capital Outlay	196,517	62,523		4,023	263,063
Total Cash Disbursements	<u>359,649</u>	<u>974,391</u>	<u>173,988</u>	<u>4,023</u>	<u>1,512,051</u>
Total Receipts Over/(Under) Disbursements	<u>(36,717)</u>	<u>437,529</u>	<u>(173,988)</u>	<u>185,203</u>	<u>412,027</u>
Other Financing Receipts and (Disbursements):					
Transfers-In			173,988		173,988
Advances-In	35,000	45,000			80,000
Transfers-Out				(173,988)	(173,988)
Advances-Out	(45,000)	(35,000)			(80,000)
Other Sources	1,817				1,817
Total Other Financing Receipts/(Disbursements)	<u>(8,183)</u>	<u>10,000</u>	<u>173,988</u>	<u>(173,988)</u>	<u>1,817</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(44,900)</u>	<u>447,529</u>		<u>11,215</u>	<u>413,844</u>
Fund Cash Balances, January 1	<u>692,865</u>	<u>513,373</u>		<u>114,732</u>	<u>1,320,970</u>
Fund Cash Balances, December 31	<u>\$647,965</u>	<u>\$960,902</u>	<u>\$0</u>	<u>\$125,947</u>	<u>\$1,734,814</u>

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

MAD RIVER TOWNSHIP
CLARK COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Non-Expendable Trust</u>
Cash Receipts:	
Interest	<u>\$188</u>
Net Income	<u>188</u>
Fund Cash Balances, January 1	<u>3,234</u>
Fund Cash Balances, December 31	<u><u>\$3,422</u></u>

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

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Mad River Township, Clark County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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. Cash

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. The Township values certificates of deposit at cost.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Fire Levy Fund - This fund receives property tax money and donations for providing fire protection.

Emergency Service Fund - This fund receives property tax money and charges for services to pay for maintaining the Township's EMS service.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Bond-Note Retirement Fund – This fund receives transfers from other funds to pay outstanding bonds or note indebtedness.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Fire and Ambulance Equipment and Building – This fund receives tax money for providing and maintaining fire apparatus, ambulance equipment, and buildings.

Fire and EMS Building Fund – This fund received money from Green Township and a one time note issue for the new Husted Fire and EMS building.

5. Fiduciary Funds (Trust and Agency Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary (non-expendable trust) fund:

Cemetery Bequest Fund: This fund maintains the cemetery based upon donor imposed restrictions.

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 cash as of January 1. The County Budget Commission must also approve estimated resources.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$671,059	\$793,956
Certificates of deposit	1,007,186	944,280
Total deposits	\$1,678,245	\$1,738,236

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$302,795	\$274,944	(\$27,851)
Special Revenue	1,475,186	1,457,259	(17,927)
Debt Service	0	181,863	181,863
Capital Projects	1,111,467	884,599	(226,868)
Fiduciary	0	108	108
Total	\$2,889,448	\$2,798,773	(\$90,675)

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,529,670	\$423,743	\$1,105,927
Special Revenue	3,377,850	1,472,321	1,905,529
Debt Service	181,863	181,863	0
Capital Projects	1,181,498	770,837	410,661
Fiduciary	3,240	0	3,240
Total	<u>\$6,274,121</u>	<u>\$2,848,764</u>	<u>\$3,425,357</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$318,657	\$324,749	\$6,092
Special Revenue	1,418,042	1,411,920	(6,122)
Debt Service	0	173,988	173,988
Capital Projects	192,477	189,226	(3,251)
Fiduciary	0	188	188
Total	<u>\$1,929,176</u>	<u>\$2,100,071</u>	<u>\$170,895</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,704,387	\$359,649	\$1,344,738
Special Revenue	2,444,788	974,391	1,470,397
Debt Service	178,011	173,988	4,023
Capital Projects	243,930	178,011	65,919
Fiduciary	6,519	0	6,519
Total	<u>\$4,577,635</u>	<u>\$1,686,039</u>	<u>\$2,891,596</u>

The Township did not routinely comply with requirements regarding requests for amended certificates of estimated resources, appropriations exceeding estimated resources, and proper certification of expenditures prior to incurring obligations.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Emergency Services Building Bonds	\$190,000	4.75%
Emergency Services Facility Note	400,000	2.68%
Total	\$590,000	

The Township issued bonds on March 1, 2001 in the principal amount of \$750,000 with interest at a rate of 4.75% for the purpose of constructing a township emergency services building. The Township took out a loan on August 30, 2004 in the principal amount of \$400,000 with an initial rate of 2.68%, which is variable, for the purpose of constructing a new fire and EMS facility.

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

	Emergency Services Building Bonds	Emergency Services Facility Notes	Total
Year ending December 31:			
2005	\$199,025	\$110,720	\$309,745
2006		108,145	108,145
2007		105,502	105,502
2008		102,787	102,787
Total	\$199,025	\$427,154	\$626,179

6. RETIREMENT SYSTEMS

The Township's elected officials and 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 benefits, which include postretirement healthcare and survivor and disability benefits. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Government 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. 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.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003.

Casualty Coverage	2004	2003
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
Property Coverage	2004	2003
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

8. JOINT VENTURE

Based on an agreement, written by the Clark County Prosecutors Office, signed and dated on December 5, 2001, by the Green and Mad River Township Trustees, the Townships entered into a joint agreement to mutually share all expenses for the operation of the Hustead Fire and EMS Departments.

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



**Auditor of State
Betty Montgomery**

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

Mad River Township
Clark County
P.O. Box 34
Enon, Ohio 45323

To the Board of Trustees:

We have audited the financial statements of the Mad River Township, Clark County, (the Township), as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated September 7, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-007 thru 2004-009.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2004-007 thru 2004-009, listed above, to be material weaknesses. In a separate letter to the Township's management dated September 7, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Material Noncompliance

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 thru 2004-006. In a separate letter to the Township's management dated September 7, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 7, 2005

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004 - 001

Findings for Recovery – Repaid Under Audit

The Clerk received four checks and two additional payments from citizens for from which the total amounts were not receipted in the Township's books or deposited into the Township's bank depository.

- In 2003, the clerk received a check for \$33,929.10 from Time Warner Cable for payment of franchise fees; however, only \$33,029.10 was receipted and deposited in the Township's accounts. This resulted in revenue unaccounted for in the amount of \$900.00.
- In 2004, the clerk received a check for \$8,546.68 from McMann, Smoot, Riddle Insurance Agency for a return of premium; however, only \$7,946.68 was receipted and deposited in the Township's accounts. This resulted in revenue unaccounted for in the amount of \$600.00.
- In 2004, the clerk received a check for \$37,647.52 from Time Warner Cable for payment of franchise fees; however, only \$36,447.52 was receipted and deposited in the township's accounts. This resulted in revenue unaccounted for in the amount of \$1,200.00.
- In 2004, the Clerk received a check for \$71,543.50 from Green Township for the construction of the Husted EMS and Fire Building; however, only \$70,143.50 was receipted and deposited to the Township's accounts. This resulted in revenue unaccounted for in the amount of \$1,400.00.
- In 2004, the Clerk received two payments totaling \$510.00 from Township citizens for pipe work done on their property. These payments were not receipted and deposited to the Township's accounts. This resulted in revenue unaccounted for in the amount of \$510.00.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but unaccounted for is hereby issued against Clerk Jim Matthews and his bonding companies, Cincinnati Insurance Company (thru April 1, 2004) and Ohio Township Association Risk Management Authority (from April 1, 2004 to present), jointly and severally, and in favor of Mad River Township for the amount of \$4,610.00. These findings were repaid under audit via township receipts, #3321, dated 7/16/2005 in the amount of \$1,400, and #3328, dated 7/28/2005 in the amount of \$3,450.

FINDING NUMBER 2004 - 002

Finding for Recovery – Agreement to Repay

Ohio Revised Code Sections 505.24 and 507.09 stipulate the salaries of township trustees and clerks, respectively. These salaries are based on the annual budget of the Township. Total compensation shall not exceed the maximum provided by such sections.

The Township paid the Trustees' and Clerk's share of Public Employees Retirement System (PERS) contributions. This was considered a part of the Fringe Benefit Pick-Up Plan for elected officials by the Township; however, this amount was taxable salary, therefore resulting in the Clerk and Trustee's compensation exceeding the amount provided by the above sections of the Code. The amounts listed below include payments through October 10, 2005.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Clerk and Trustees in favor of Mad River Township General Fund as follows:

Mad River Township

**FINDING NUMBER 2004 - 002
(Continued)**

- James Matthews, Clerk, for PERS pickup in the amount of \$4,211.60 which was repaid to the Township under audit;
- Kathy Estep, Trustee, for PERS pickup in the amount of \$2,450.32. A repayment plan has been established at \$810 per month starting with the September 2005 pay until the total amount is repaid;
- Robert McClure, Trustee, for PERS pickup in the amount of \$2,461.24. A repayment has been established at \$760 per month starting with the September 2005 pay until the total is repaid, and;
- Richard Schumann, Trustee, for PERS pickup in the amount of \$2,532.30. A repayment plan has been established at \$560 per month starting with the September 2005 pay until the total amount is repaid.

FINDING NUMBER 2004 - 003

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the receipt. If the amount of the daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, if properly secured, but the deposit must be made no later than 3 business days after receiving it.

The cemetery sexton made pay-ins to the township clerk monthly. At the end of each month, the clerk would make a deposit consisting of the whole month's receipts. This increased the risk of misappropriations of township assets.

To reduce the risk of misappropriation of township assets and to comply with the abovementioned section of code, all cash collections should be deposited within the 24 hour requirement or a policy be adopted by the Board of Trustees that permits the officials to hold any money under the \$1,000 threshold for no more than 3 business days, if properly secured. Additionally, procedures should be implemented to provide that the Clerk deposit all receipts to the bank in a timely and complete manner.

FINDING NUMBER 2004 - 004

Ohio Rev. Code Section 5705.41(D) 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.

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 sections 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.

**FINDING NUMBER 2004 - 004
(Continued)**

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board of Trustees.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current 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 one line item appropriation.

The Township failed to properly certify expenditures totaling \$537,408 during 2003 and 2004, including the exceptions noted.

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 that the Township's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004 - 005

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

FINDING NUMBER 2004 - 005 (continued)

The following funds were determined to have estimated receipts significantly in excess of actual receipts:

<u>Fund Type</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
2004			
General Fund	\$ 302,795	\$274,944	(\$ 27,851)
Capital Projects	\$1,111,467	\$884,599	(\$226,868)

Failure to obtain the amended certificate of estimated resources did not provide the trustees with an accurate estimate of resources available for appropriations which could lead to negative fund balances. The Board should monitor receipts and amend estimated receipts when necessary to keep estimated receipts in line with actual receipts and make any corresponding amendments to its appropriations and disbursements.

FINDING NUMBER 2004 - 006

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following fund was determined to have appropriations significantly in excess of the available resources as certified by the County Budget Commission, which was the result of the Township not amending the certificate after a transfer was recorded:

<u>FundType/Fund</u>	<u>Total Appropriations</u>	<u>Total Estimated Resources</u>	<u>Variance</u>
2003 – Debt Service	\$173,988	\$4,023	(\$169,965)
2004 – Debt Service	\$181,863	\$0	(\$181,863)

Failure to obtain an amended certificate of estimated resources did not provide authority for the Township to use these funds. Procedures should be implemented to routinely review budgetary activity and include required revisions to budgetary documents.

FINDING NUMBER 2004 - 007

Timely Posting of Revenues

The Township Clerk did not post revenues in a timely manner. Some receipts were posted up to two months after they were received. The Township received payments from the Clark County Auditor's office dated April 29, May 20, and May 28, 2003, and these payments were not receipted in or posted until June 26, 2003. This resulted in the presentation of inaccurate information in the monthly reports to the Trustees, as well as the chance for errors in the revenue amounts on the annual financial statements. Additionally, not depositing receipts in a timely manner results in lower interest earnings. The timely posting of revenues is an essential internal control for the annual financial reports to accurately and completely reflect the revenues of the Township.

FINDING NUMBER 2004 - 008

Investment Income

Certain deficiencies were noted in recognizing investment revenue which lead to the financial statements earnings on investments line item as well as beginning and ending fund cash balances to be significantly understated.

- 2003 General Fund investment income was understated by \$34,528; special revenue funds were understated by \$9,570; and, non-expendable trust was understated \$182.
- 2004 General Fund investment income was understated by \$11,215; special revenue funds were understated by \$1,608; and, non-expendable trust was understated \$83.

The adjustments noted above are reflected in the accompanying financial statements.

These misstatements were the result of a interest paid to the township for certificate of deposit not being posted and Motor Vehicle License Tax Fund #23 interest income rolling into intergovernmental revenues.

In order for the Townships monthly and annual reports to reflect accurate receipts and fund cash balances, the interest earned on certificates of deposit should be posted to the cash journal throughout the year and revenues should be coded correctly so that they are properly reflected in the correct account.

The Township should initiate policies and procedures that will provide for the periodic recording of all interest earned on certificates of deposit as well as system integrity.

FINDING NUMBER 2004 - 009

Maintaining Adequate Support Documentation

The Clerk did not routinely retain adequate support documentation for township revenues such as check copies or remittance documentation which resulted in verification problems when trying to trace individual revenue postings to the original record of receipt.

The clerk should retain copies of receipt support to substantiate amount, payer, and purpose for payment. Someone independent of the receipting process should periodically review this supporting information to determine proper and complete posting to the Township's ledgers.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 5705.36, obtaining amended certificates	No	Not corrected; repeated as Finding 2004-005
2002-002	Ohio Rev. Code Section 5705.41(B), disbursements exceeding appropriations	Yes	Corrected
2002-003	Ohio Rev. Code Section 5705.41(D).	No	Not corrected; repeated as Finding 2004-004



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MAD RIVER TOWNSHIP

CLARK 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 15, 2005**