



Dave Yost • Auditor of State

MADISON TOWNSHIP
HIGHLAND COUNTY

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Dave Yost • Auditor of State

Madison Township
Highland County
12646 Centerfield Road
Greenfield, Ohio 4512

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 an 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 adverse 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 6, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Madison Township
Highland County
12646 Centerfield Road
Greenfield, Ohio 45123

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2010 and 2009 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, 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Madison Township, Highland County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 6, 2011, 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.



Dave Yost
Auditor of State

June 6, 2011

**MADISON TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$34,508	\$39,288	\$73,796
Licenses, Permits, and Fees	1,751		1,751
Intergovernmental	59,291	120,214	179,505
Earnings on Investments	2,295	2,563	4,858
Miscellaneous	89		89
 Total Cash Receipts	 97,934	 162,065	 259,999
Cash Disbursements:			
Current:			
General Government	75,522	400	75,922
Public Safety		232,167	232,167
Public Works		88,178	88,178
Health	8,611		8,611
 Total Cash Disbursements	 84,133	 320,745	 404,878
Total Receipts (Under) Disbursements	13,801	(158,680)	(144,879)
Other Financing Receipts:			
Other Financing Sources	44	2,073	2,117
 Total Other Financing Receipts	 44	 2,073	 2,117
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	 13,845	 (156,607)	 (142,762)
Fund Cash Balances, January 1	48,006	435,463	483,469
Fund Cash Balances, December 31	\$61,851	\$278,856	\$340,707
Reserve for Encumbrances, December 31	\$1,639	\$2,093	\$3,732

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

**MADISON TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$36,545	\$84,384	\$120,929
Licenses, Permits, and Fees	1,745		1,745
Intergovernmental	36,444	115,615	152,059
Earnings on Investments	6,070	2,070	8,140
	<u>80,804</u>	<u>202,069</u>	<u>282,873</u>
Cash Disbursements:			
Current:			
General Government	81,261	9,154	90,415
Public Safety	2,500	29,887	32,387
Public Works	0	75,734	75,734
Health	8,918		8,918
	<u>92,679</u>	<u>114,775</u>	<u>207,454</u>
Total Receipts Over/(Under) Cash Disbursements	<u>(11,875)</u>	<u>87,294</u>	<u>75,419</u>
Other Financing Receipts:			
Other Financing Sources	199	4,966	5,165
	<u>199</u>	<u>4,966</u>	<u>5,165</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(11,676)	92,260	80,584
Fund Cash Balances, January 1	<u>59,682</u>	<u>343,203</u>	<u>402,885</u>
Fund Cash Balances, December 31	<u>\$48,006</u>	<u>\$435,463</u>	<u>\$483,469</u>
Reserve for Encumbrances, December 31	<u>\$2,135</u>	<u>\$400</u>	<u>\$2,535</u>

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

**MADISON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Madison Township, Highland County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and cemetery maintenance. The Township contracts with the Paint Creek Joint EMS/Fire District to provide fire services.

The Township is part of the Highland County Joint Hospital District and the Paint Creek Joint EMS/Fire District. Note 7 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

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

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

C. Cash and Deposits

The Township's accounting basis includes cash as assets. All Township funds are deposited into a checking account at a local commercial bank.

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

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

**MADISON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

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, program 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 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.

2. Equity in Pooled Cash and Deposits

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

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>340,707</u>	<u>483,469</u>

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

**MADISON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,835	\$97,978	\$34,143
Special Revenue	114,581	164,138	49,557
Total	\$178,416	\$262,116	\$83,700

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,060	\$85,772	\$8,288
Special Revenue	383,292	322,838	60,454
Total	\$477,352	\$408,610	\$68,742

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,950	\$81,003	\$30,053
Special Revenue	194,917	207,035	12,118
Total	\$245,867	\$288,038	\$42,171

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,449	\$94,814	\$7,635
Special Revenue	197,200	115,175	82,025
Total	\$299,649	\$209,989	\$89,660

4. Property Tax

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

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

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.

**MADISON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax (Continued)

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

5. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

6. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

**MADISON TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Risk Management (Continued)

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$3,310.

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

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$3,521	\$3,029

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. Jointly Governed Organizations

The Highland County Joint Hospital District is a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Township Hospital Board of Trustees who appoints a Hospital Board of Governors which is composed of one member from each township and three at-large members.

The Paint Creek Joint EMS/Fire District is a jointly governed organization that provides fire protection and rescue services within the District. The Paint Creek Joint EMS/Fire District is governed by a four-member Board which is composed of one representative from each subdivision within the District. Those subdivisions are Madison Township and the City of Greenfield in Highland County, and Buckskin Township and Paint Township in Ross County.

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Dave Yost • Auditor of State

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

Madison Township
Highland County
12646 Centerfield Road
Greenfield, Ohio 45123

To the Board of Trustees:

We have audited the financial statements of Madison Township, Highland County, Ohio (the Township), as of and for the year ended December 31, 2010 and 2009, and have issued our report thereon dated June 6, 2011, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(A) mandate the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 6, 2011.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 6, 2011

**MADISON TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FISCAL YEAR ENDED DECEMBER 31, 2010 AND 2009**

FINDING NUMBER 2010-001

Material Noncompliance/Material Weakness

Ohio Administrative Code Section 117-2-02(A), provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analysis, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Township did not post the following transactions to the proper fund type or account codes, and therefore, they were reported in an incorrect fund type or account classification, by material amounts, on the financial statements:

Year	Item	Amount	Proper Fund Type / Classification	Fund Type / Classification Reported
2009	Local Government Distribution	\$18,422	General Fund - Intergovernmental	General Fund - Taxes
2009	FEMA Grant Receipts	4,751	Special Revenue Fund Type - Intergovernmental	Capital Projects Fund Type - Intergovernmental
2010	Excise Gas Tax Distributions	29,346	Special Revenue Fund Type - Intergovernmental	Special Revenue Fund Type – Taxes
2010	Excise Gas Tax Distribution	4,987	Special Revenue Fund Type - Intergovernmental	Capital Projects Fund Type – Intergovernmental
2010	Road maintenance expenditures	4,751	Special Revenue Fund Type – Public Works	Capital Projects Fund Type – Human Services

The Township did not post the following transactions to the accounting records, and therefore receipts and disbursements were understated, by material amounts, on the financial statements.

Item	Amount	Proper Classification
2009 General Fund		
Taxes	\$5,197	Taxes
Health Department Inside Millage	5,197	Health
2010 General Fund		
Taxes	\$5,436	Taxes
Health Department Inside Millage	5,436	Health

Additionally, Ohio Revised Code, Section 4503.02, provides that motor vehicle license tax revenues be used for planning, constructing, maintaining, and repairing public roads, highways, and streets.

Ohio Revised Code, Section 4504.18, provides that the Township may levy an permissive motor vehicle license tax to pay the costs of construction, reconstruction, improvement, maintenance, and repair of township roads, bridges, and culverts, for purchasing, erecting, and maintaining traffic signs, markers, lights, and signals, for purchasing road machinery and equipment, and planning, constructing, and maintaining suitable buildings to house such equipment.

**FINDING NUMBER 2010-001
 (Continued)**

Ohio Revised Code, Section 5705.06, provides that the township may levy a property tax without vote of the people for the construction, reconstruction, resurfacing, and repair of roads and bridges. The Township has assessed a .90 mill Road and Bridge levy.

The Township received motor vehicle license tax and levy monies which include use restriction as noted in the above revised code sections. The Township posted expenditures to these funds that were not for the purposes the funds were created. Therefore the following adjustments were necessary to report these expenditures in the proper funds:

Year	Item	Amount	Proper Fund Type / Classification	Fund Type / Classification Reported
2009	Life Squad Contract payment	\$2,500	General Fund /Public Safety	Motor Vehicle License Tax Fund/Public Safety
2009	Cemetery Mowing Contract Payment	3,700	General Fund/Health	Motor Vehicle License Tax Fund/Health
2009	OTARMA Insurance Policy Premium Payment	3,029	General Fund/General Government	Road & Bridge Fund/General Government
2009	Fire Contract Payment	2,367	Fire Levy Fund/Public Safety	Motor Vehicle License Tax Fund/Public Safety
2010	OTARMA Insurance Policy Premium	3,521	General Fund/General Government	Permissive Motor Vehicle License Tax Fund/General Government
2010	Cemetery Mowing Contract	2,898	General Government/Health	Motor Vehicle License Tax Fund/Health

There is no authority to pay bills from these funds that are inconsistent with the funds purpose. The Officials should review the laws and chart of accounts in the Township Manual to become familiar with the proper purpose and use of funds.

Failure to properly post transactions: 1) resulted in inaccurate financial statements, 2) reduces the accountability over Township funds, 3) reduces the Board's ability to monitor financial activity and make informed financial decisions. We recommend that the fiscal officer review the chart of accounts to assure that items are being posted to the proper funds and account codes.

We also recommend that the Fiscal Officer review the township manual and post transactions in accordance with the chart of accounts provided in the township manual. More care should be taken in maintaining the records in order to ensure the year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures. The Township agreed to reclassifications and adjustments to correctly report the above items, and the corrections were posted to the accompanying financial statements and the Township's accounting records.

FINDING NUMBER 2010-002

Material Noncompliance

Ohio Revised Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 resolution.

Amounts of 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 is 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.

Contrary to the above requirement, the availability of funds was not certified prior to the Township incurring the obligation for 2 of the 12 expenditures tested (17%) for 2009, and 3 of the 15 expenditures tested (20%) for 2010. In addition no evidence was found showing the Township followed the above mentioned exceptions. Failure to certify the availability of funds and encumber appropriations reduces management's ability to monitor available appropriations and can result in overspending funds and negative cash balances.

**FINDING NUMBER 2010-002
(Continued)**

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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 Fiscal Officer certify that 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 the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. 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 orders to the proper appropriation code to reduce the available appropriation.

We did not receive a response from officials to the findings above.

**MADISON TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Revised Code Section 5705.41(D)	No	Repeated as 2010-002
2008-002	Ohio Administrative Code Section 117-2-01 – transactions not properly posted	No	Repeated as 2010-001

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Dave Yost • Auditor of State

MADISON TOWNSHIP

HIGHLAND 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
JUNE 28, 2011**