



Dave Yost • Auditor of State

**MAD RIVER TOWNSHIP
CLARK COUNTY
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types – For the Year Ended December 31, 2016	3
Notes to the Financial Statements - For the Year Ended December 31, 2016	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	13
Notes to the Financial Statements - For the Year Ended December 31, 2015	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Mad River Township
Clark County
1151 Blue Jay Drive
Enon, Ohio 45323

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of Mad River Township, Clark County, (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(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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 thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Mad River Township, Clark County as of December 31, 2016 and 2015, 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(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 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.



Dave Yost
Auditor of State
Columbus, Ohio

November 8, 2017

Mad River Township
Clark County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$94,448	\$1,049,934	\$151,117		\$1,295,499
Charges for Services		271,839			271,839
Licenses, Permits and Fees	54,656	74,527			129,183
Fines and Forfeitures	618				618
Intergovernmental	58,245	369,260	175,858		603,363
Special Assessments		22,560			22,560
Earnings on Investments	9,940	1,974		\$31	11,945
Miscellaneous	8,306	55,222			63,528
<i>Total Cash Receipts</i>	<u>226,213</u>	<u>1,845,316</u>	<u>326,975</u>	<u>31</u>	<u>2,398,535</u>
Cash Disbursements					
Current:					
General Government	171,144				171,144
Public Safety		1,098,191			1,098,191
Public Works		253,847	150,013		403,860
Health		79,655			79,655
Capital Outlay	25,521	382,750	227,665		635,936
Debt Service:					
Principal Retirement		20,095			20,095
Interest and Fiscal Charges		9,620			9,620
<i>Total Cash Disbursements</i>	<u>196,665</u>	<u>1,844,158</u>	<u>377,678</u>	<u>0</u>	<u>2,418,501</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,548</u>	<u>1,158</u>	<u>(50,703)</u>	<u>31</u>	<u>(19,966)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds			224,674		224,674
Transfers In		20,000			20,000
Transfers Out	(20,000)				(20,000)
Other Financing Sources	1				1
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(19,999)</u>	<u>20,000</u>	<u>224,674</u>	<u>0</u>	<u>224,675</u>
<i>Net Change in Fund Cash Balances</i>	<u>9,549</u>	<u>21,158</u>	<u>173,971</u>	<u>31</u>	<u>204,709</u>
<i>Fund Cash Balances, January 1</i>	<u>1,441,473</u>	<u>1,685,346</u>	<u>391,842</u>	<u>4,517</u>	<u>3,523,178</u>
Fund Cash Balances, December 31					
Nonspendable				2,815	2,815
Restricted		1,580,799	565,813	1,733	2,148,345
Committed		125,705			125,705
Assigned	1,065,538				1,065,538
Unassigned (Deficit)	385,484				385,484
<i>Fund Cash Balances, December 31</i>	<u>\$1,451,022</u>	<u>\$1,706,504</u>	<u>\$565,813</u>	<u>\$4,548</u>	<u>\$3,727,887</u>

See accompanying notes to the financial statement

This page intentionally left blank.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2016

Note 1 – Reporting 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 contracts with the Clark County Sheriff to provide police protection.

Joint Venture and Public Entity Risk Pool

The Township participates in a joint venture with Green Township for the operation of the Husted Fire and Emergency Medical Services Department. Note 13 to the financial statement provides additional information for this joint venture. The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 8 to the financial statement provides additional information for this risk pool.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statement consists of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

Enon Emergency Medical Services Fund This fund receives property tax money, donations, and charges for services to pay for the operation and maintenance of the Enon Emergency Medical Services Department.

Capital Projects Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

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

**Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Permanent Fund This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following Permanent Fund:

Cemetery Bequest Fund – This fund is based upon donor-imposed restrictions.

Basis of Accounting

This financial statement follows 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Unencumbered appropriations lapse at year-end.

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 approve estimated resources.

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

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

The Township has no investments. A summary of deposits appears in Note 5.

Capital Assets

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

Accumulated Leave

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

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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

Note 3 - Compliance

Contrary to Ohio law, the Township did not file appropriations with the County Auditor. As a result, the Township's budgetary expenditures exceeded appropriation authority in all funds by \$2,454,875 for the year ended December 31, 2016.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$204,423	\$226,214	\$21,791
Special Revenue	1,871,756	1,865,316	(6,440)
Capital Projects	178,928	551,649	372,721
Permanent	0	31	31
Total	\$2,255,107	\$2,643,210	\$388,103

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$218,116	(\$218,116)
Special Revenue	0	1,859,081	(1,859,081)
Capital Projects	0	377,678	(377,678)
Permanent	0	0	0
Total	\$0	\$2,454,875	(\$2,454,875)

Note 5 – Deposits

The Township maintains a 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:

	2016
Demand deposits	\$416,674
Time deposits	3,311,213
Total deposits	\$3,727,887

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes 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.

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 Statement
For the Year Ended December 31, 2016
(Continued)

Note 7 - Interfund Balances

Outstanding advances at December 31, 2016, consisted of \$30,000 advanced to the Roads Special Levy Fund from the General Fund in September 2015 to provide monies for road projects.

Note 8 - Risk Management - Public Entity Risk Pool

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$15,000.

**Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)**

Note 8 - Risk Management – Public Entity Risk Pool (Continued)

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

2016 Contributions to OTARMA

\$32,328

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.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Social Security

Some of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)

Note 10 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$224,674	2.29%
Lease	183,215	4.85%
Total	\$407,889	

The Township issued general obligation bonds in October 2016 to finance the purchase of a new fire truck for the Husted Fire Department, which is the Township's joint venture. The bonds will be repaid with annual principal and interest payments, beginning in June 2017 and ending in June 2021.

Leases

The Township leases a garage building. The Township disbursed \$29,714 to pay lease costs for the year ended December 31, 2016.

Amortization

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

	Lease	General Obligation Bonds
Year ending December 31:		
2017	\$29,714	\$47,796
2018	29,714	47,796
2019	29,714	47,796
2020	29,714	47,796
2021	29,714	47,796
2022-2026	71,769	0
Total	\$220,339	\$238,980

Note 12 – Contingent Liabilities

The Township is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)

Note 13 – Joint Venture

Based on an agreement, written by the Clark County Prosecutor's Office and signed on December 5, 2001 by the Green Township and Mad River Township Trustees, the Townships entered into a joint venture to mutually share all expenses for the operation of the Husted Fire and Emergency Medical Services Departments.

This agreement was based on Ohio Rev. Code § 505.37(B), which authorizes Boards of Township Trustees to unite in the joint purchase, maintenance, use, and operation of firefighting and emergency medical services equipment. This agreement states, in part, that the funding for operation of the two departments shall be apportioned equally between the two Townships.

Note 14 – Subsequent Event

The Township issued \$142,309 of equipment bonds in January 2017 for the purchase of a new dump truck and plow.

On November 7, 2017, the Township's additional .8 mill levy for the Township Deputy was approved.

Mad River Township
Clark County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$95,281	\$1,051,498	\$152,426		\$1,299,205
Charges for Services		293,537			293,537
Licenses, Permits and Fees	54,723	80,026			134,749
Fines and Forfeitures	1,030				1,030
Intergovernmental	64,953	353,794	26,094		444,841
Special Assessments		2,857			2,857
Earnings on Investments	7,451	1,098		\$23	8,572
Miscellaneous	8,395	61,858			70,253
<i>Total Cash Receipts</i>	<u>231,833</u>	<u>1,844,668</u>	<u>178,520</u>	<u>23</u>	<u>2,255,044</u>
Cash Disbursements					
Current:					
General Government	178,888	495			179,383
Public Safety	21	1,024,827			1,024,848
Public Works		203,166			203,166
Health		76,302			76,302
Capital Outlay		428,510	233,498		662,008
Debt Service:					
Principal Retirement		31,305			31,305
Interest and Fiscal Charges		10,542			10,542
<i>Total Cash Disbursements</i>	<u>178,909</u>	<u>1,775,147</u>	<u>233,498</u>	<u>0</u>	<u>2,187,554</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>52,924</u>	<u>69,521</u>	<u>(54,978)</u>	<u>23</u>	<u>67,490</u>
Other Financing Receipts (Disbursements)					
Advances In		30,000			30,000
Advances Out	(30,000)				(30,000)
Other Financing Sources	5				5
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(29,995)</u>	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>5</u>
<i>Net Change in Fund Cash Balances</i>	<u>22,929</u>	<u>99,521</u>	<u>(54,978)</u>	<u>23</u>	<u>67,495</u>
<i>Fund Cash Balances, January 1</i>	<u>1,418,544</u>	<u>1,585,825</u>	<u>446,820</u>	<u>4,494</u>	<u>3,455,683</u>
Fund Cash Balances, December 31					
Nonspendable				2,815	2,815
Restricted		1,532,223	391,842	1,702	1,925,767
Committed		153,123			153,123
Assigned	1,483				1,483
Unassigned (Deficit)	1,439,990				1,439,990
<i>Fund Cash Balances, December 31</i>	<u>\$1,441,473</u>	<u>\$1,685,346</u>	<u>\$391,842</u>	<u>\$4,517</u>	<u>\$3,523,178</u>

See accompanying notes to the financial statement

This page intentionally left blank.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2015

Note 1 – Reporting 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 contracts with the Clark County Sheriff to provide police protection.

Joint Venture and Public Entity Risk Pool

The Township participates in a joint venture with Green Township for the operation of the Husted Fire and Emergency Medical Services Department. Note 12 to the financial statement provides additional information for this joint venture. The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 8 to the financial statement provides additional information for this risk pool.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statement consists of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

Enon Emergency Medical Services Fund This fund receives property tax money, donations, and charges for services to pay for the operation and maintenance of the Enon Emergency Medical Services Department.

Capital Projects Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Projects Fund:

Fire and EMS Equipment and Building Fund This fund receives property tax money for providing and maintaining fire apparatus, ambulance equipment, and buildings.

**Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2015
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Permanent Fund This fund accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following Permanent Fund:

Cemetery Bequest Fund – This fund is based upon donor-imposed restrictions.

Basis of Accounting

This financial statement follows 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Unencumbered appropriations lapse at year-end.

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 approve estimated resources.

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

A summary of 2015 budgetary activity appears in Note 4.

Deposits and Investments

The Township has no investments. A summary of deposits appears in Note 5.

Capital Assets

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

Accumulated Leave

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

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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

Note 3 – Compliance

Contrary to Ohio law, the Township did not file appropriations with the County Auditor. As a result, the Township's budgetary expenditures exceeded appropriation authority in all funds by \$2,252,901 for the year ended December 31, 2015.

Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2015
(Continued)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$283,476	\$231,838	(\$51,638)
Special Revenue	1,864,881	1,874,668	9,787
Capital Projects	179,178	178,520	(658)
Permanent	7	23	16
Total	\$2,327,542	\$2,285,049	(\$42,493)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$210,392	(\$210,392)
Special Revenue	0	1,809,011	(1,809,011)
Capital Projects	0	233,498	(233,498)
Permanent	0	0	0
Total	\$0	\$2,252,901	(\$2,252,901)

Note 5 – Deposits

The Township maintains a 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:

Demand deposits	2015 \$123,707
Time deposits	3,399,471
Total deposits	\$3,523,178

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes 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.

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 Statement
For the Year Ended December 31, 2015
(Continued)

Note 7 – Interfund Balances

Outstanding advances at December 31, 2015 consisted of \$30,000 advanced to the Roads Special Levy Fund from the General Fund to provide monies for road projects.

Note 8 – Risk Management – Public Entity Risk Pool

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

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

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$16,000.

**Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2015
(Continued)**

Note 8 – Risk Management – Public Entity Risk Pool (Continued)

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

2015 Contributions to OTARMA
\$29,577

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.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement

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

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

Social Security

Some of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**Mad River Township
Clark County
Notes to the Financial Statement
For the Year Ended December 31, 2015
(Continued)**

Note 10 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health

Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Lease	\$203,309	4.85%
Total	\$203,309	

Leases

The Township leases a garage building. The Township disbursed \$29,714 to pay lease costs for the year ended December 31, 2015.

Amortization

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

Year ending December 31:	Lease
2016	\$29,714
2017	29,714
2018	29,714
2019	29,714
2020	29,714
2021-2024	101,483
Total	\$250,053

Note 12 – Joint Venture

Based on an agreement, written by the Clark County Prosecutor's Office and signed on December 5, 2001 by the Green Township and Mad River Township Trustees, the Townships entered into a joint venture to mutually share all expenses for the operation of the Hustead Fire and Emergency Medical Services Departments.

This agreement was based on Ohio Rev. Code § 505.37(B), which authorizes Boards of Township Trustees to unite in the joint purchase, maintenance, use, and operation of firefighting and emergency medical services equipment. This agreement states, in part, that the funding for operation of the two departments shall be apportioned equally between the two Townships.

This page intentionally left blank.



Dave Yost • Auditor of State

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

Mad River Township
Clark County
1151 Blue Jay Drive
Enon, Ohio 45323

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Mad River Township, Clark County, (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 November 8, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-004 to be material weaknesses.

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, 2016-002, and 2016-004.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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.

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
Columbus, Ohio

November 8, 2017

**MAD RIVER TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Noncompliance and Material Weakness – Budgetary

Ohio Rev. Code § 5705.39 states, in part, that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

For the fiscal years ended December 31, 2016 and 2015, the Township did not file the appropriation resolutions adopted by the Board of Trustees with the county auditor for certification, as required by Ohio Rev. Code § 5705.39. As a result, none of the appropriation resolutions passed for these years were considered to be legally effective, which led to expenditures exceeding appropriations in all funds. The budgetary note disclosures report zero appropriations.

In addition, the Minutes did not record whether or not the Trustees had approved the 2016 permanent appropriations. Furthermore, appropriation amendments were recorded in the Uniform Accounting Network (UAN) system during 2016 and 2015; however, approval of these amended appropriations by the Trustees was not recorded in the Minutes.

Although the Trustees reviewed the UAN Appropriation Status and Revenue Status reports, which contained budgeted appropriations and revenues, during 2016 and 2015, the appropriations were not legally effective and therefore, the information provided to the Trustees in these UAN reports was not accurate regarding budgeted and actual activity for all funds.

Failure to have adequate appropriation authority in place at the time of expenditure and to record appropriations in the accounting system can result in the overspending of resources. The lack of the Trustees' review of accurate budget and actual activity increases the likelihood that errors or irregularities may go undetected, and can also lead to overspending of resources.

The Township should file appropriation resolutions, which have been approved by the Trustees, with the county auditor so the appropriation measure can be certified and become legally effective. Additionally, the Township should properly record appropriations and budgeted revenue for all funds in the accounting system in order to produce financial reports that contain accurate budget and actual activity. The Trustees should continue to review financial reports that show budget and actual activity for all funds. Monitoring monthly budget and actual expenditures and receipts ensures that expenditures are being made in accordance with the approved budget, receipts are being received in accordance with the Certificate of Estimated Resources, and that overspending does not occur. Furthermore, the Minutes should accurately report all approvals by Trustees.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness – Financial Reporting

Ohio Rev. Code § 5705.10(D) provides, in part, that all revenue derived from a source other than the general property tax, and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

Ohio Rev. Code § 4501.04 states, in part, all moneys paid into the auto registration distribution fund under section 4501.03 of the Revised Code, except moneys received under section 4503.02 of the Revised Code in accordance with section 4501.13 of the Revised Code, and except moneys paid for costs of audits under section 4501.03 of the Revised Code, shall be distributed as follows:

(E) Five percent of all such moneys shall be for the use of the several townships and shall be distributed to the several townships in the ratio which the total number of miles of township roads under the jurisdiction of each board of township trustees in each township bears to the total number of miles of township roads in the state, as determined by the director of transportation. Before such distribution is made each board of township trustees shall certify in writing to the director the actual number of miles under its statutory jurisdiction which are used by and maintained for the public.

In 2015, the Township improperly posted its homestead receipt between the Road and Bridge Fund and Enon Ambulance and EMS Fund. An adjustment of \$24,904 was taken to the accounting system and financial statements to decrease the Road and Bridge fund balance and increase the Enon Ambulance and EMS fund balance.

The Township also posted its IRP Excess Compensation receipts to the General Fund rather than the Motor Vehicle License Tax fund in 2015 and 2016. Adjustments of \$611 and \$633 were taken to the accounting system and the financial statements to increase the Motor Vehicle License Tax fund balance and decrease the General fund balance.

Furthermore, the Township issued bonds in October 2016; however, the proceeds and disbursements by the bank were not included on the financial statements. In addition, the Township's debt payments were recorded incorrectly. Audit adjustments and reclassifications were made as follows:

- 2016 Capital Projects Fund
 - Increased Sale of Bonds and Capital Outlay by \$224,674
- 2016 Road and Bridge Fund
 - Reclassified \$29,715 from Capital Outlay to Principal Retirement (\$20,095) and Interest and Fiscal Charges (\$9,620)
- 2015 Road and Bridge Fund
 - Reclassified \$35,647 from Capital Outlay to Principal Retirement (\$25,430) and Interest and Fiscal Charges (10,217)
- 2015 Cemetery Fund
 - Reclassified \$6,200 from Capital Outlay to Principal Retirement (\$5,875) and Interest and Fiscal Charges (\$325)

The Township also misclassified General Fund assigned/unassigned fund balance by \$1,065,538 and \$1,483, in 2016 and 2015, respectively. The financial statements have been adjusted for the misclassifications.

In addition to the adjustments and reclassifications listed above, we also identified additional misstatements ranging from \$567 to \$11,026 which we have brought to the Township's attention.

**FINDING NUMBER 2016-002
(Continued)**

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Township's ability to make sound financial decisions or comply with budgetary law, and/or result in materially misstated reports.

The Township should have procedures in place to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

FINDING NUMBER 2016-003

Material Weakness - Cemetery Bequest Fund - Trust Agreements

The Township presented a Cemetery Bequest Fund as a Permanent Fund but did not maintain original trust agreements to support the fund / account classification for financial reporting.

The Cemetery Bequest Fund represented 100% of the Permanent Fund activity and fund balances, with fund cash balances of \$4,548 and \$4,517 at December 31, 2016 and 2015, respectively. Without the original trust agreement, it is not possible to determine whether the Cemetery Bequest Fund should be presented as a Permanent Fund (a benefit to the Township) or as a Private Purpose Trust Fund (a benefit to other organizations, governments, or individuals). In addition, the lack of a trust agreement may be an indication that this fund can be completely spent, which would result in the Fund being classified as a Special Revenue Fund.

The Township should maintain original trust agreements to identify the original principal and purpose of each trust. By maintaining these agreements, the Township would be able to identify whether or not there is principal that must be maintained in perpetuity and whether or not the trust is to benefit the entity or other organizations, governments, or individuals.

The Township should obtain copies of the documentation establishing this trust fund to identify the original principal and to determine the purpose of the trust. The Township should consult their legal counsel for advice if the documentation cannot be located to support the existence of a trust agreement. In addition, the Township should review Governmental Accounting Standards Board (GASB) Statement 54 (GASB codification 1300) and Auditor of State Bulletin 2011-004 for fund classification guidance.

FINDING NUMBER 2016-004

Noncompliance/Material Weakness - OPWC On-behalf Payments

Ohio Rev. Code § 5705.42 requires, in part, that when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Township entered into an agreement with the Ohio Public Works Commission (OPWC) for a grant. Auditor of State Bulletin 2002-004 outlines the accounting requirements for the OPWC grant. The OPWC will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital project fund equal to the amount disbursed by the OPWC.

The Township did not record all payments made directly to contractors as part of the OPWC project. The amount of unrecorded activity in 2016 totaled \$150,013. The financial statements have been adjusted to show the increase in Intergovernmental revenue and Public Works disbursement.

Failure to record grant activity results in understated receipts and disbursements on the financial statements.

To improve financial reporting, the Township should establish procedures to account for all payments made directly to contractors to ensure the financial statements reflect the receipts and disbursements for the grant activity.

Official's Response:

We did not receive a response from Officials to these findings.



Dave Yost • Auditor of State

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
DECEMBER 21, 2017**