

MAD RIVER TOWNSHIP

DAYTON REGION, CLARK COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 – 2007



Mary Taylor, CPA

Auditor of State

Board of Trustees
Mad River Township
P.O. Box 34
Enon, Ohio 45323

We have reviewed the *Independent Auditors' Report* of Mad River Township, Clark County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 4, 2009

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**MAD RIVER TOWNSHIP
CLARK COUNTY**

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MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Mad River Township, Clark County, (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 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, 2008 and 2007 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, 2008 and 2007, 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 of Mad River Township, Montgomery County, as of December 31, 2008 and 2007, 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 a report dated June 22, 2009, 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 grants 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 22, 2009

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**MAD RIVER TOWNSHIP
CLARK COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

GOVERNMENTAL FUND TYPES

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Total (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$ 108,304	\$ 754,958	\$ 169,560	\$ 0	\$ 1,032,822
Charges for Services	0	393,816	24,384	0	418,200
Licenses, Permits, and Fees	33,547	28,350	0	0	61,897
Fines and Forfeitures	1,928	0	0	0	1,928
Intergovernmental	151,122	312,418	0	0	463,540
Special Assessments	0	9,932	0	0	9,932
Earnings on Investments	41,784	33,441	0	187	75,412
Miscellaneous	48,407	48,986	0	0	97,393
Total Cash Receipts	<u>385,092</u>	<u>1,581,901</u>	<u>193,944</u>	<u>187</u>	<u>2,161,124</u>
Cash Disbursements:					
Current:					
General Government	225,213	0	0	0	225,213
Public Safety	19,232	1,282,988	4,962	0	1,307,182
Public Works	0	323,382	0	0	323,382
Health	0	73,342	0	0	73,342
Capital Outlay	1,121	139,627	0	0	140,748
Debt Service					
Redemption of Principal	0	0	100,000	0	100,000
Interest and Fiscal Charges	0	0	1,488	0	1,488
Total Cash Disbursements	<u>245,566</u>	<u>1,819,339</u>	<u>106,450</u>	<u>0</u>	<u>2,171,355</u>
Total Receipts Over/(Under) Disbursements	<u>139,526</u>	<u>(237,438)</u>	<u>87,494</u>	<u>187</u>	<u>(10,231)</u>
Other Financing Receipts/(Disbursements):					
Advances-In	0	20,000	0	0	20,000
Advances-Out	(20,000)	0	0	0	(20,000)
Total Other Financing Receipts/(Disbursements):	<u>(20,000)</u>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	119,526	(217,438)	87,494	187	(10,231)
Fund Cash Balances, January 1	<u>796,936</u>	<u>1,355,527</u>	<u>303,652</u>	<u>4,310</u>	<u>2,460,425</u>
Fund Cash Balances, December 31	<u>\$ 916,462</u>	<u>\$ 1,138,089</u>	<u>391,146</u>	<u>4,497</u>	<u>\$ 2,450,194</u>

The Notes to the Financial Statements are an integral part of this statement.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	GOVERNMENTAL FUND TYPES				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent Fund	
Cash Receipts:					
Property and Other Local Taxes	\$ 123,152	\$ 765,719	\$ 172,907	\$ 0	\$ 1,061,778
Charges for Services	0	443,088	0	0	443,088
Licenses, Permits, and Fees	7,961	39,650	0	0	47,611
Fines and Forfeitures	2,165	0	0	0	2,165
Intergovernmental	175,701	284,405	19,306	0	479,412
Special Assessments	0	10,156	0	0	10,156
Earnings on Investments	36,376	17,326	0	349	54,051
Miscellaneous	36,657	101,628	0	0	138,285
Total Cash Receipts	382,012	1,661,972	192,213	349	2,236,546
Cash Disbursements:					
Current:					
General Government	198,019	399,851	0	0	597,870
Public Safety	35,220	768,869	76,574	0	880,663
Public Works	0	238,071	0	0	238,071
Health	0	95,192	0	0	95,192
Capital Outlay	83,976	55,640	0	0	139,616
Debt Service					
Redemption of Principal	0	0	100,000	0	100,000
Interest and Fiscal Charges	0	0	5,044	0	5,044
Total Cash Disbursements	317,215	1,557,623	181,618	0	2,056,456
Total Receipts Over/(Under) Disbursements	64,797	104,349	10,595	349	180,090
Excess of Cash Receipts and other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	64,797	104,349	10,595	349	180,090
Fund Cash Balances, January 1	732,139	1,251,178	293,057	3,961	2,280,335
Fund Cash Balances, December 31	\$ 796,936	\$ 1,355,527	303,652	4,310	\$ 2,460,425

The Notes to the Financial Statements are an integral part of this statement.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

C. Cash and Investments

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

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

General Fund:

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Special Revenue Funds:

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

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

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

Debt Service Funds:

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

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

Capital Project Funds:

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

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

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

Permanent Funds:

These funds account for resources restricted by legally binding trust agreements. The Township had the following significant permanent fund:

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

**MAD RIVER TOWNSHIP
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

Appropriations

Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and any amendments. The County Budget Commission must approve the appropriation measure. Unencumbered appropriations lapse at year-end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also 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 cancelled, and re-appropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**MAD RIVER TOWNSHIP
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 1,477,068	\$ 1,524,495
Certificates of deposit	973,126	935,930
Total deposits	<u>\$ 2,450,194</u>	<u>\$2 ,460,425</u>

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

**MAD RIVER TOWNSHIP
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2008 was as follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 289,965	\$ 385,092	\$ 95,127
Special Revenue	1,371,999	1,581,901	209,902
Capital Projects	187,607	193,944	6,337
Permanent	30	187	157
Total	<u>\$ 1,849,601</u>	<u>\$ 2,161,124</u>	<u>\$ 311,523</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 966,300	\$ 245,566	\$ 720,734
Special Revenue	2,561,775	1,819,339	742,436
Capital Projects	106,450	106,450	0
Permanent	0	0	0
Total	<u>\$ 3,634,525</u>	<u>\$ 2,171,355</u>	<u>\$ 1,463,170</u>

Budgetary activity for the year ending December 31, 2007 was as follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 283,818	\$ 382,012	\$ 98,194
Special Revenue	1,318,591	1,661,972	343,381
Capital Projects	187,481	192,213	4,732
Permanent	30	349	319
Total	<u>\$ 1,789,920</u>	<u>\$ 2,236,546</u>	<u>\$ 446,626</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,050,200	\$ 317,215	\$ 732,985
Special Revenue	2,779,300	1,557,623	1,221,677
Capital Projects	390,500	181,618	208,882
Permanent	0	0	0
Total	<u>\$ 4,220,000</u>	<u>\$ 2,056,456</u>	<u>\$ 2,163,544</u>

**MAD RIVER TOWNSHIP
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

4. BUDGETARY COMPLIANCE

Contrary to Ohio law, Ohio Rev Code Section 5705.39, appropriations exceeded estimated resources in 2008 in the Ambulance and EMS Service Fee fund by \$25,69; and in 2007 in the General, Motor Vehicle, Road and Bridge, Police District, Fire District, Permissive Motor Vehicle License, and Ambulance Service Fee funds by \$34,243, \$70,898, \$39,988, \$11,376, \$95,969, \$15,708 and \$90,379, respectively.

Ohio Rev Code Section 5705.36 requires all subdivisions to request reduced amended certificates upon determination by the Fiscal Officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. Contrary to Ohio law, in 2008, estimated receipts exceeded actual receipts in the Cemetery, and Ambulance & EMS Service Fee funds by \$2,280 and \$10,350; and in 2007 in the Permissive MVL fund by \$37,430.

5. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. RETIREMENT SYSTEM

The Township's employees 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 2008 and 2007, OPERS members contributed 10 percent and 9.5 percent, respectively, of their gross salaries and the Township contributed an amount equaling 14 percent and 13.85 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses and injuries to employees. The Township insures against injuries 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. OTARMA is a member of the American Public Entities Excess Pool (APEEP.) Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

7. RISK MANAGEMENT (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Retained Earnings	<u>\$ 29,852,866</u>	<u>\$ 29,921,614</u>

**MAD RIVER TOWNSHIP
CLARK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

7. RISK MANAGEMENT (Continued)

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when related claims are due for payment.

The Township's share of these unpaid claims collectible in future years is approximately \$17,258. This payable includes the subsequent year's contribution due if the Township terminates participation as described in the last paragraph below.

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. The Township's contributions to OTARMA for the past three years are as follows:

<u>Contributions to OTARMA</u>	
2008	\$56,352
2007	\$53,629
2006	\$64,824

After completing one year of membership, member may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

8. JOINT VENTURE

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

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

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**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

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

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

To the Board of Trustees:

We have audited the financial statements of Mad River Township, Clark County, (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 22, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiency described in the accompanying Schedule of Findings as item 2008-001 to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described in item 2008-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompany Schedule of Findings as items 2008-001 through 2008-004.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

June 22, 2009

**MAD RIVER TOWNSHIP
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Township Books and Records – Material Weakness

Ohio Admin Code Section 117-2 provides that the Fiscal Officer shall keep the books of the Township; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Township and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code. The following was items were noted:

- Adjustments were required for both 2008 and 2007 for the following items:
 - Miscellaneous receipts posted as other financing sources
 - Debt payments posted as capital outlay
 - Interest income posted as miscellaneous receipts and recorded at incorrect amounts; cash balances were overstated by \$30,809 and in 2007, understated by \$7,450 in 2008.
 - Estate tax receipts not recorded at gross
- Budgetary information reported on the annual report did not match what was filed with the County Auditor
- Various payroll tax filing notices, including IRS and OPERS, was observed
- The Fiscal Officer is not authorized on one Certificate of Deposit (CD) held by the Township
- In 2007, checks listed in Township accounting system did not always match actual checks cleared by bank
- Minutes were not signed by the Fiscal Officer or Trustees

Sound financial reporting is the responsibility of the Fiscal Officer and Trustees and is essential to ensuring the information provided to the readers of the financial statements is complete and accurate. All of these conditions reveal a lack of control over and monitoring of the recording and reporting of the Township's financial activity and resulted in inaccurate accounting records.

Response: In 2007 the Township had an interim Fiscal Officer due to unforeseen circumstances. In 2008, the Township's new Fiscal Officer took her position. During 2008, the Township addressed and implemented various policies and procedures to the financial reporting process. The Fiscal Officer and Trustees will continue to review each issue outlined above and will take responsibility to rectify for future reporting and monitoring of the Township records.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-002

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

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

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. 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 or expenditures by the Township.
2. **Blanket certificate** – Fiscal officers may prepare "blanket" against any specific line item account over a period exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

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

The Township failed to properly certify 20 percent of expenditures tested in 2008 and 23 percent of expenditures tested in 2007. The corresponding purchase orders for these expenses were issued after the incurrence of the expense without being certified as "then and now." Failure to properly certify the availability of funds can result in overspending available funds and negative cash fund balances.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-002, Continued

Effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders.

We recommend that Township obtain a proper and approved purchase order, including amounts, which contain the Fiscal Officer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. We further recommend that the Fiscal Officer issue blanket or super blanket purchase orders for qualifying expenses if the purchase order is to be used for more than one invoice.

Response: The Fiscal Officer will review the proper use of purchase orders.

FINDING NUMBER 2008-003

Ohio Rev. Code, Section 5705.36, requires all subdivisions to request reduced amended certificates upon determination by the Fiscal Officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. The intent of this requirement is to require the Fiscal Officer to obtain a reduced amended certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur. Actual receipts for both years of the audit period were below estimated receipts in the following funds:

Fund	Estimated Receipts	Actual Receipts	Variance
2008			
Cemetery	\$ 80,000	\$ 77,720	\$ (2,280)
Ambulance & EMS Service Fee	404,708	394,358	(10,350)
2007			
Permissive MVL	\$ 70,000	\$ 32,570	\$ (37,430)

Additionally, budgetary information presented on the Township's Annual Report did not agree with the information filed with the County Auditor in both 2008 and 2007. Failure to record and report the budgetary data accurately presents an inaccurate comparison of the budgetary activity and can mislead those using the annual financial report.

Failure to monitor estimated resources and provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position and could result in overspending. Failure to accurately prepare and reconcile the accounting records reduces the Trustees ability to monitor financial activity, increases the likelihood that monies will be misappropriated and go detected and increases the likelihood that the Township's financial statements will be misstated.

Response: The Trustees and Fiscal Officer recognize the importance of budgetary law and plan to monitor budgetary receipts more closely in the future.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-004

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

The following funds had appropriations in excess of estimated resources as certified by the County Auditor:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Available Resources</u>	<u>Variance</u>
2008			
Ambulance & EMS Service Fee \$	916,100	\$ 890,408	\$ (25,692)
2007			
General \$	1,050,200	\$ 1,015,957	\$ (34,243)
Motor Vehicle	110,000	39,102	(70,898)
Road and Bridge	172,700	132,712	(39,988)
Police District	97,300	85,924	(11,376)
Fire District	755,800	695,831	(95,969)
Permissive MVL	124,400	108,692	(15,708)
Ambulance & EMS Fund	522,200	431,821	(90,379)

To comply with this Ohio Revised Code Section and to improve budgetary controls the Township should file their appropriation measures with the county budget commission for certification that the amounts appropriated do not exceed the available resources. In addition, the Certificate of Estimated Resources should be amended on a timely basis to reflect changes in actual or expected revenue and the corresponding appropriations should be amended accordingly.

Response: The Fiscal Officer and Trustees will monitor budgetary compliance more closely in the future.

**MAD RIVER TOWNSHIP
CLARK COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2006-001	ORC Sec. 9.38 - Receipts were not deposited in a timely manner	Partially	Reissued as Management Letter Comment
2006-002	ORC Sec. 5705.41(D) - Failure to certify availability of funds prior to incurring the obligation	No	Reissued as Finding 2008-002
2006-003	ORC Sec. 5705.36 - Estimated receipts were found to be significantly in excess of actual receipts	No	Reissued as Finding 2008-003
2006-004	ORC Sec. 5705.39 - Appropriations were found to be significantly in excess of available resources	No	Reissued as Finding 2008-004
2006-005	ORC Sec. 5705.41 - Expenditures exceeded appropriations in the Fire & Building & Equip Improvement funds in 2005	Yes	
2006-006	ORC Sec. 5705.10 - Negative fund balances were observed in the Fire & Building & Equip Improvement funds in 2005	Yes	
2006-007	Investment income was not regularly and/or properly recorded resulting in an understatement	Yes	
2006-008	Adequate documentation was not maintained for revenue received by the Township	Yes	
2006-009	Township failed to file an annual report for 2006 and did not publish the completion of the 2005 annual report	Yes	
2006-010	ORC Sec. 117.2 - Fiscal Officer did not maintain accurate or adequate records during the audit period	No	Reissued as Finding 2008-001

**MAD RIVER TOWNSHIP
CLARK COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS, continued
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2006-011	Bank reconciliations were not always prepared and no there was no indication they were reviewed by trustees	Yes	
2006-012	Effective monitoring control system in not in place	Yes	
2006-013	Receipts were not posted in a timely manner, some receipts were posted months after being received	Yes	



Mary Taylor, CPA
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
SEPTEMBER 17, 2009**