



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MADISON TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Madison Township
Butler County
5610 West Alexandria Road
Middletown, Ohio 45042

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 audits provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2000, 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.

This report is intended solely for the information and use of management, the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

August 24, 2000

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**MADISON TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES-
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$68,321	\$283,483	\$40,867			\$392,671
Intergovernmental	407,858	119,544				527,402
Special Assessments				\$1,762		1,762
Charges for Services	38,480					38,480
Fines, Forfeitures, and Penalties	8,492	2,788				11,280
Earnings on Investments	30,160	2,499			\$41	32,700
Other Revenue	8,746	16,841				25,587
Total Cash Receipts	562,057	425,155	40,867	1,762	41	1,029,882
Cash Disbursements:						
Current:						
General Government	208,111					208,111
Public Safety	78,496	88,342				166,838
Public Works	7,745	303,376		2,156		313,277
Health	6,685	3,384				10,069
Debt Service:						
Redemption of Principal			42,559			42,559
Interest and Fiscal Charges			13,862			13,862
Capital Outlay	17,764	27,870				45,634
Total Cash Disbursements	318,801	422,972	56,421	2,156	0	800,350
Total Receipts Over/(Under) Disbursements	243,256	2,183	(15,554)	(394)	41	229,532
Other Financing Receipts/(Disbursements):						
Advances-In	40,000	40,000				80,000
Advances-Out	(40,000)	(40,000)				(80,000)
Total Other Financing Receipts/(Disbursements)	0	0	0	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	243,256	2,183	(15,554)	(394)	41	229,532
Fund Cash Balances, January 1	407,603	103,084	43,764	1,743	1,056	557,250
Fund Cash Balances, December 31	\$650,859	\$105,267	\$28,210	\$1,349	\$1,097	\$786,782

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

**MADISON TOWNSHIP
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Local Taxes	\$36,449	\$243,611	\$103,776			\$383,836
Intergovernmental	270,780	108,237				379,017
Special Assessments				\$1,701		1,701
Charges for Services	35,777					35,777
Licenses, Permits, and Fees		4,061				4,061
Fines, Forfeitures, and Penalties	8,910					8,910
Earnings on Investments	24,408	2,394			\$53	26,855
Other Revenue	5,553	7,698				13,251
Total Cash Receipts	381,877	366,001	103,776	1,701	53	853,408
Cash Disbursements:						
Current:						
General Government	129,853					129,853
Public Safety	70,030	62,452				132,482
Public Works	7,116	215,023		1,781		223,920
Health	6,764	2,107			10	8,881
Debt Service:						
Redemption of Principal			50,920			50,920
Interest and Fiscal Charges			9,092			9,092
Capital Outlay	249	189,074		335,000		524,323
Total Cash Disbursements	214,012	468,656	60,012	336,781	10	1,079,471
Total Receipts Over/(Under) Disbursements	167,865	(102,655)	43,764	(335,080)	43	(226,063)
Other Financing Receipts/(Disbursements):						
Proceeds from Sale of Notes				335,000		335,000
Advances-In	35,000	35,000				70,000
Advances-Out	(35,000)	(35,000)				(70,000)
Total Other Financing Receipts/(Disbursements)	0	0	0	335,000	0	335,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	167,865	(102,655)	43,764	(80)	43	108,937
Fund Cash Balances, January 1	239,738	205,739		1,823	1,013	448,313
Fund Cash Balances, December 31	\$407,603	\$103,084	\$43,764	\$1,743	\$1,056	\$557,250

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

**MADISON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Madison Township, Butler County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and police protection services. The Township also contracts with the Butler County Sheriff to provide one-half of the Township's police protection 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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

Certificates of deposit are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds are used to 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:

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

Special Fire Fund - This fund receives tax money to pay for maintaining fire protection services.

**MADISON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Note Retirement - This fund receives tax money used to retire Township debt.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Township had the following significant Capital Project Fund:

Lighting Assessment Fund - This project is financed with a special assessment levied against the benefitting property owners.

5. Fiduciary Fund

This fund is used to account for resources restricted by legally binding trust agreements. The trust agreement requires the Township to maintain the corpus of the trust; therefore, the Cemetery Bequest Fund is classified as a nonexpendable trust fund.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. There were no material outstanding encumbrances at December 31, 1999 and 1998.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**MADISON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

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 and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 12,782	\$ 43,250
Certificates of deposit	<u>1,000</u>	<u>1,000</u>
Total deposits	<u>13,782</u>	<u>44,250</u>
STAROhio	<u>773,000</u>	<u>513,000</u>
Total investments	<u>773,000</u>	<u>513,000</u>
Total deposits and investments	<u><u>\$786,782</u></u>	<u><u>\$557,250</u></u>

A. Deposits

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

B. Investments

Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

MADISON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 579,995	\$ 562,057	(\$17,938)
Special Revenue	455,146	425,155	(29,991)
Debt Service	40,866	40,867	1
Capital Projects	1,762	1,762	0
Fiduciary	10	41	31
Total	<u>\$1,077,779</u>	<u>\$1,029,882</u>	<u>(\$47,897)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 987,598	\$318,801	\$668,797
Special Revenue	558,231	422,972	135,259
Debt Service	84,630	56,421	28,209
Capital Projects	3,505	2,156	1,349
Fiduciary	1,066	0	1,066
Total	<u>\$1,635,030</u>	<u>\$800,350</u>	<u>\$834,680</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 397,435	\$ 381,877	(\$15,558)
Special Revenue	383,747	366,001	(17,746)
Debt Service	103,776	103,776	0
Capital Projects	336,701	336,701	0
Fiduciary	52	53	1
Total	<u>\$1,221,711</u>	<u>\$1,188,408</u>	<u>(\$33,303)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$637,173	\$214,012	\$423,161
Special Revenue	589,487	468,656	120,831
Debt Service	103,776	60,012	43,764
Capital Projects	338,524	336,781	1,743
Fiduciary	1,065	10	1,055
Total	<u>\$1,670,025</u>	<u>\$1,079,471</u>	<u>\$590,554</u>

**MADISON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$272,615	4.55%

The general obligation notes were issued to finance the purchase of two fire trucks. The notes are collateralized solely by the Township's taxing authority.

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

<u>Year ending December 31:</u>	<u>General Obligation Notes</u>
1999	\$ 56,420
2000	56,420
2001	56,420
2002	56,420
2003	56,420
Subsequent	85,651
Total	\$367,751

6. RETIREMENT SYSTEMS

The Township's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**MADISON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health, life, and cancer insurance and dental and vision coverage to full-time employees through a private carrier.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Madison Township
Butler County
5610 West Alexandria Road
Middletown, Ohio 45042

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 24, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, noncompliance with which could have a direct and material effect on 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 24, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Township in a separate letter dated August 24, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 24, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MADISON TOWNSHIP

BUTLER 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 12, 2000**