



**MADISON TOWNSHIP
GUERNSEY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

REPORT OF INDEPENDENT ACCOUNTANTS

Madison Township
Guernsey County
69509 Batesville Rd.
Quaker City, Ohio 43773

To the Board of Trustees:

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

We conducted our audit 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 audits 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 audit 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 and reserves for encumbrances of the Township, as of December 31, 1999 and December 31, 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 March 14, 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 the Board, management, 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

March 14, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL 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>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$12,646	\$14,080	\$0	\$26,726
Intergovernmental Receipts	16,781	67,431	6,980	91,192
Earnings on Investments	815			815
Miscellaneous	198	865		1,063
	<u>30,440</u>	<u>82,376</u>	<u>6,980</u>	<u>119,796</u>
Cash Disbursements:				
Current:				
General Government	19,417	3,000		22,417
Public Works	1,482	63,486		64,968
Health	1,571			1,571
Debt Service:				
Principal/Interest Payments			8,165	8,165
Capital Outlay		23,144		23,144
	<u>22,470</u>	<u>89,630</u>	<u>8,165</u>	<u>120,265</u>
Total Receipts Over/(Under) Disbursements	<u>7,970</u>	<u>(7,254)</u>	<u>(1,185)</u>	<u>(469)</u>
Other Financing Receipts:				
Proceeds of Notes		24,950		24,950
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	7,970	17,696	(1,185)	24,481
Fund Cash Balances January 1	<u>13,096</u>	<u>30,344</u>	<u>8,246</u>	<u>51,686</u>
Fund Cash Balances, December 31	<u>\$21,066</u>	<u>\$48,040</u>	<u>\$7,061</u>	<u>\$76,167</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$14,202</u>	<u>\$0</u>	<u>\$14,202</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL 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>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$14,287	\$16,482	\$0	\$30,769
Intergovernmental Receipts	15,541	68,220	8,246	92,007
Earnings on Investments	680			680
Miscellaneous	1,468			1,468
Total Cash Receipts	<u>31,976</u>	<u>84,702</u>	<u>8,246</u>	<u>124,924</u>
Cash Disbursements:				
Current:				
General Government	23,139	6,500		29,639
Public Works	1,505	72,638		74,143
Health	1,770			1,770
Capital Outlay		31,385		31,385
Total Disbursements	<u>26,414</u>	<u>110,523</u>	<u>0</u>	<u>136,937</u>
Total Receipts Over/(Under) Disbursements	<u>5,562</u>	<u>(25,821)</u>	<u>8,246</u>	<u>(12,013)</u>
Other Financing Receipts:				
Proceeds of Notes		31,385		31,385
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>5,562</u>	<u>5,564</u>	<u>8,246</u>	<u>19,372</u>
Fund Cash Balances January 1	<u>7,534</u>	<u>24,780</u>	<u>0</u>	<u>32,314</u>
Fund Cash Balances, December 31	<u>\$13,096</u>	<u>\$30,344</u>	<u>\$8,246</u>	<u>\$51,686</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$146</u>	<u>\$0</u>	<u>\$146</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Madison Township, Guernsey County, (the Township), is a body politic and corporate 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 maintenance of roads and bridges (public works), maintenance of cemeteries (health) and fire protection (public safety).

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. 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 Fund

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:

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money to construct, maintain and repair Township roads.

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

Road and Bridge Fund - This fund receives property tax money to maintain Township roads and bridges.

Fire Levy Fund - This fund receives property tax money to provide fire protection through contracts with other governmental entities.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Debt Service Fund

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:

Note Retirement Fund - This fund receives gasoline tax money to retire the note debt incurred by the Township.

D. 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

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

E. 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.

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ <u>76,167</u>	\$ <u>51,686</u>

Deposits: Deposits are fully insured by the Federal Depository Insurance Corporation.

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

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 28,456	\$ 30,440	\$ 1,984
Special Revenue	77,869	107,326	29,457
Debt Service	7,852	6,980	(872)
Total	\$ 114,177	\$ 144,746	\$ 30,569

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 33,706	\$ 22,470	\$ 11,236
Special Revenue	123,621	103,832	19,789
Debt Service	16,098	8,165	7,933
Total	\$ 173,425	\$ 134,467	\$ 38,958

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 25,760	\$ 31,976	\$ 6,216
Special Revenue	67,796	116,087	48,291
Debt Service	8,246	8,246	0
Total	\$ 101,802	\$ 156,309	\$ 54,507

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 33,285	\$ 26,414	\$ 6,871
Special Revenue	105,527	110,669	(5,142)
Debt Service	0	0	0
Total	\$ 138,812	\$ 137,083	\$ 1,729

At December 31, 1998, Gasoline Tax Fund expenditures exceeded appropriations.

**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 payment, 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:

	Principal	Interest Rate
General Obligation Notes-Tractor	\$ 25,108	5.95%
General Obligation Notes-Truck	25,000	5.65%
Total	\$ 50,108	

The General Obligation Notes were issued to finance the purchase of a tractor and a truck to be used for Township road maintenance.

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

Year ending December 31:	General Obligation Notes
2000	\$ 14,183
2001	13,527
2002	12,871
2003	12,216
2004	5,283
Total	\$ 58,080

6. RETIREMENT SYSTEMS

All of the Township's employees, as well as the Clerk and Trustees, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, employees contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid 80% of contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township is insured with the OTARMA Insurance and the Personal Service Insurance Company. These companies assume the risk of loss up to the limits of the Township policies. Coverage amount is subject to deductibles and scheduled property. The following risks are covered by these companies:

- General liability and casualty
- Public officials' liability
- Vehicle
- Property

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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

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

Madison Township
Guernsey County
69509 Batesville Road
Quaker City, Ohio 43773

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Guernsey County, Ohio, (the Township), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated March 14, 2000. We conducted our audit 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 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 that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 1999-41030-001 and 1999-41030-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 March 14, 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". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

March 14, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-41030-001
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Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of any previous encumbrances, Township Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Township Trustees.

Certain liabilities, contracts, and open purchase commitments greater than one thousand dollars, were not certified by the clerk and were not encumbered until the time of payment. These commitments were not subsequently approved by the Township Trustees within the aforementioned 30 day time period.

Obligations paid by the Township had a statement attached indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, free from any previous encumbrance; however, this certification was not always dated prior to incurring the obligation for 63% of transactions tested in 1999 and 1998.

We recommend the Township Clerk certify the availability of funds prior to incurring an obligation.

Finding Number	1999-41030-002
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Ohio Rev. Code Section 5705.41 (B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Total disbursements were compared to total appropriations at year-end at the fund, function, object level (legal level of control). At December 31, 1998, Gasoline Tax Fund disbursements exceeded appropriations in the Machinery, Equipment, Furniture appropriation classification by \$26,385. This was the result of an audit adjustment caused by the Township not posting note proceeds and then, in turn, not posting the disbursement for the purchase of a tractor. The vendor was paid directly by the bank who loaned the Township the funds to purchase the tractor.

We recommend that all disbursements related to purchases of machinery and equipment be properly appropriated and recorded on the Township’s books.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MADISON TOWNSHIP

GUERNSEY 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
APRIL 18, 2000**