



**MADISON TOWNSHIP
GUERNSEY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MADISON TOWNSHIP
GUERNSEY COUNTY

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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, 2001 and 2000. 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 *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 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 of Madison Township, Guernsey County, as of December 31, 2001 and 2000, 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 12, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, 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.

Jim Petro
Auditor of State

March 12, 2002

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$16,228	\$18,329	\$	\$34,557
Intergovernmental	11,037	59,399	13,916	84,352
Earnings on Investments	523			523
Other Revenue	683	2,509		3,192
	<u>28,471</u>	<u>80,237</u>	<u>13,916</u>	<u>122,624</u>
Cash Disbursements:				
Current:				
General Government	20,918	7,000		27,918
Public Works	1,512	78,030		79,542
Health	1,921			1,921
Debt Service:				
Redemption of Principal			11,277	11,277
Interest and Fiscal Charges			2,285	2,285
Capital Outlay		123		123
	<u>24,351</u>	<u>85,153</u>	<u>13,562</u>	<u>123,066</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>4,120</u>	<u>(4,916)</u>	<u>354</u>	<u>(442)</u>
Fund Cash Balances, January 1	<u>12,951</u>	<u>36,825</u>	<u>7,013</u>	<u>56,789</u>
Fund Cash Balances, December 31	<u>\$17,071</u>	<u>\$31,909</u>	<u>\$7,367</u>	<u>\$56,347</u>

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

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$13,998	\$16,294	\$	\$30,292
Intergovernmental	7,774	58,163	14,184	80,121
Earnings on Investments	889			889
Other Revenue	126	3,809		3,935
	<u>22,787</u>	<u>78,266</u>	<u>14,184</u>	<u>115,237</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	27,281	8,820		36,101
Public Works	1,497	85,408		86,905
Health	2,124			2,124
Debt Service:				
Redemption of Principal			11,277	11,277
Interest and Fiscal Charges			2,955	2,955
Capital Outlay		1,753		1,753
	<u>30,902</u>	<u>95,981</u>	<u>14,232</u>	<u>141,115</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,115)</u>	<u>(17,715)</u>	<u>(48)</u>	<u>(25,878)</u>
Other Financing Receipts:				
Sale of Fixed Assets		6,500		6,500
		<u>6,500</u>		<u>6,500</u>
Total Other Financing Receipts				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(8,115)	(11,215)	(48)	(19,378)
Fund Cash Balances, January 1	21,066	48,040	7,061	76,167
Fund Cash Balances, December 31	<u><u>\$12,951</u></u>	<u><u>\$36,825</u></u>	<u><u>\$7,013</u></u>	<u><u>\$56,789</u></u>

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

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Madison Township, Guernsey County (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, and contracts with the Antrim Community Fire Department for fire protection.

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 that is 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:

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

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

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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 note indebtedness. The Township had the following significant Debt Service Fund:

Note Retirement Fund - This fund receives gasoline tax money to pay principal and interest on outstanding note debt.

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 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. Appropriations lapse at year end.

2. 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.

3. Encumbrances

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

A summary of 2001 and 2000 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.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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>2001</u>	<u>2000</u>
Demand deposits	<u>\$56,347</u>	<u>\$56,789</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000, was as follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,365	\$28,471	\$5,106
Special Revenue	70,500	80,237	9,737
Debt Service	14,116	13,916	(200)
Total	<u>\$107,981</u>	<u>\$122,624</u>	<u>\$14,643</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,778	\$24,351	\$12,427
Special Revenue	106,207	85,153	21,054
Debt Service	20,928	13,562	7,366
Total	<u>\$163,913</u>	<u>\$123,066</u>	<u>\$40,847</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,839	\$22,787	\$2,948
Special Revenue	65,543	84,766	19,223
Debt Service	14,184	14,184	0
Total	<u>\$99,566</u>	<u>\$121,737</u>	<u>\$22,171</u>

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,908	\$30,902	\$10,006
Special Revenue	113,382	95,981	17,401
Debt Service	21,244	14,232	7,012
Total	\$175,534	\$141,115	\$34,419

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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, 2001, was as follows:

	Principal	Interest Rate
Promissory Note - Dump Truck	\$15,000	5.65%
Promissory Note - Tractor	12,554	5.95%
Total	\$27,554	

The promissory notes were issued to finance the purchase of a tractor and a truck to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Promissory Note Truck	Promissory Note Tractor
2002	\$5,859	\$7,034
2003	5,573	6,656
2004	5,287	
Total	\$16,719	\$13,690

6. RETIREMENT SYSTEMS

The Township's elected officials and employees 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 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for January 1 through June 30, 2000, and for 2001. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

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 insurance for its members. OTARMA is a member of the American Public Entity 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.

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

Financial Position

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

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$22,684,383	\$18,172,222
Liabilities	<u>8,924,977</u>	<u>5,947,013</u>
Retained earnings	<u>\$13,759,406</u>	<u>\$12,225,209</u>
<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$4,156,784	\$3,544,437
Liabilities	<u>497,831</u>	<u>674,752</u>
Retained earnings	<u>\$3,658,953</u>	<u>\$2,869,685</u>



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

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

To the Board of Trustees:

We have audited the financial statements of Madison Township, Guernsey County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 12, 2002. 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 *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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2001-41030-001 and 2001-41030-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 12, 2002.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-41030-003 and 2001-41030-004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also 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 12, 2002.

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

Jim Petro
Auditor of State

March 12, 2002

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-41030-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received.

In 2000, the Clerk recorded tax settlement monies into the General Fund in the amount of \$462; however, the amount was allocated to the Road and Bridge and Fire Levy Funds by the County Auditor.

A finding for adjustment is hereby issued against the General Fund of Madison Township in the amount of \$462, in favor of the Road and Bridge Fund in the amount of \$277, and the Fire Levy Fund in the amount of \$185. The Clerk has posted this adjustment to the Township's financial statements, and this adjustment is reflected in the accompanying 2000 financial statements.

FINDING NUMBER 2001-41030-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

In addition to these blanket certificates, a subdivision may also make expenditures and contracts from a specific line-item appropriation account in a specified fund over \$5,000 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 fiscal year. Effective August 28 2001, super blanket certificates can now be issued for any amount.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

**FINDING NUMBER 2001-41030-002
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

The Clerk's prior certification of available funds was not obtained for 71% of transactions tested and there was no evidence of a "Then and Now" certificate being used by the Clerk.

We recommend the Township obtain the Clerk's prior certification of available funds for all disbursements.

FINDING NUMBER 2001-41030-003

Reportable Condition - Receipt Ledger Classifications and Posting

Several receipts were not posted into accurate revenue classifications based on the source of the receipt. As a result, several reclassifying entries were prepared to post these revenues into the correct classifications. This situation could also result in inaccurate financial information being distributed to Township officials.

We recommend the Township Clerk consult the Ohio Administrative Code and/or the Ohio Township Manual when monies are received, to help ensure these receipts are posted to the appropriate receipt classification and accurate financial statements are prepared.

FINDING NUMBER 2001-41030-004

Reportable Condition - Budgetary Financial Statements

Budgeted receipt and expenditure amounts posted to the Township's accounting system did not agree to source documents, such as the Certificate of Estimated Resources and the Appropriations Resolution.

As a result, information available for Township officials to monitor year-to-date total comparisons of estimated resources versus actual receipts and appropriations versus expenditures was not accurate.

We recommend estimated resources and appropriations be posted to the budgetary financial statements as received from the County Budget Commission, passed by the Trustees and posted to the Township's ledgers.

**MADISON TOWNSHIP
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-41030-001	Ohio Rev. Code Section 5705.41(D) failure to certify funds.	No	Not Corrected; Reissued as Finding 2001-41030-002.
1999-41030-002	Ohio Rev. Code Section 5705.41(B) expenditures in excess of appropriations.	No	We reported this finding in the management letter.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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, 2002**