



**Auditor of State
Betty Montgomery**

**MADISON TOWNSHIP
LICKING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Madison Township
Licking County
143 Margery Drive N.E.
Newark, Ohio 43055-9716

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2002 and December 31, 2001. 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 accounting principles generally accepted in the United States of America.

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, 2002 and December 31, 2001, and its combined cash receipts and cash 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 May 29, 2003 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.

Madison Township
Licking County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

May 29, 2003

**MADISON TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$90,766	\$103,089	\$93,672	\$287,527
Intergovernmental	57,523	82,205	126,097	265,825
Licenses, Permits, and Fees	885	0	0	885
Earnings on Investments	4,126	15	860	5,001
Other Revenue	25,244	6,357	0	31,601
	<u>178,544</u>	<u>191,666</u>	<u>220,629</u>	<u>590,839</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	119,966	13,697	0	133,663
Public Works	23,315	215,182	0	238,497
Health	742	0	0	742
Capital Outlay	121,921	0	178,895	300,816
	<u>265,944</u>	<u>228,879</u>	<u>178,895</u>	<u>673,718</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	(87,400)	(37,213)	41,734	(82,879)
Fund Cash Balances, January 1, 2002	<u>201,085</u>	<u>97,345</u>	<u>57,849</u>	<u>356,279</u>
Fund Cash Balances, December 31, 2002	<u>\$113,685</u>	<u>\$60,132</u>	<u>\$99,583</u>	<u>\$273,400</u>

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

**MADISON TOWNSHIP
LICKING 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>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$89,374	\$104,383	\$94,367	\$288,124
Intergovernmental	88,072	74,049	11,666	173,787
Licenses, Permits, and Fees	1,052	0	0	1,052
Earnings on Investments	13,276	33	0	13,309
Other Revenue	497	75,594	0	76,091
	<u>192,271</u>	<u>254,059</u>	<u>106,033</u>	<u>552,363</u>
Cash Disbursements:				
Current:				
General Government	132,334	12,792	0	145,126
Public Works	27,604	196,670	0	224,274
Health	570	0	0	570
Capital Outlay	26,714	56,986	143,455	227,155
	<u>187,222</u>	<u>266,448</u>	<u>143,455</u>	<u>597,125</u>
Total Receipts Over/(Under) Disbursements	<u>5,049</u>	<u>(12,389)</u>	<u>(37,422)</u>	<u>(44,762)</u>
Fund Cash Balances, January 1, 2001	<u>196,036</u>	<u>109,734</u>	<u>95,271</u>	<u>401,041</u>
Fund Cash Balances, December 31, 2001	<u>\$201,085</u>	<u>\$97,345</u>	<u>\$57,849</u>	<u>\$356,279</u>

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

**MADISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Madison Township, Licking 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 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 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

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.

The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

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:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

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

**MADISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Fund – This fund receives local tax money to fund the Township’s fire and emergency services.

3. Capital Projects 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 enterprise or trust funds). The Township had the following significant Capital Projects Funds:

Miscellaneous Capital Projects – The Township receives property tax money to purchase fire equipment.

Miscellaneous Capital Projects (1.0 mill) – The Township receives property tax money to purchase fire equipment.

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 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.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

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.

**MADISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment 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:

	2002	2001
Demand deposits	\$146,980	\$232,105
STAR Ohio	126,420	124,174
Total deposits and investments	\$273,400	\$356,279

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$185,732	\$178,544	(\$7,188)
Special Revenue	182,434	191,666	9,232
Capital Project	104,508	220,629	116,121
Total	\$472,674	\$590,839	\$118,165

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$391,103	\$265,944	\$125,159
Special Revenue	275,493	228,879	46,614
Capital Projects	162,357	178,895	(16,538)
Total	\$828,953	\$673,718	\$155,235

**MADISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$156,200	\$192,271	\$36,071
Special Revenue	248,560	254,059	5,499
Capital Project	106,030	106,033	3
Total	\$510,790	\$552,363	\$41,573

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$352,236	\$187,222	\$165,014
Special Revenue	358,295	266,448	91,847
Capital Projects	312,810	143,455	169,355
Total	\$1,023,341	\$597,125	\$426,216

Contrary to Ohio law, 78% of transactions tested were not certified by the Clerk at the time the commitment was incurred.

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. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Township has paid all contributions required through December 31, 2002.

**MADISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

7. SUBSEQUENT EVENT

On February 7, 2003, the Board of Tax Appeals of the State of Ohio remanded to the Licking County Budget commission with orders to make an allocation of the 1997-2002 Undivided Local Government Fund (ULGF) and the 1997-2002 Undivided Local Government Revenue Assistance Fund (ULGRAAF) in compliance with provisions of Ohio Revised Code Sections 5747.51 and 5747.62. In summary, the Board of Tax Appeals found that no alternative apportionment or formula allowed under Ohio Revised Code 5747.53 and 5747.63 was legally effective.

The County Budget Commission plans to appeal the ruling and the effect on future local government distributions cannot be determined at this time.

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Auditor of State Betty Montgomery

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

Madison Township
Licking County
143 Margery Drive N.E.
Newark, Ohio 43055-9716

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Licking County, Ohio, (the Township) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated May 29, 2003. 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Finding as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 29, 2003.

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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 29, 2003.

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Madison Township
Licking County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

May 29, 2003

**MADISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDING
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Prior Certification

Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance by the issuance of a regular or certificate, a blanket certificate, or a super blanket certificate. Blanket certificates can be issued for an amount not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months, and not extending beyond the end of the current fiscal year. A super blanket certificate may be issued for any amount from a specific line item appropriation account in a specific fund, for most recurring or reasonable predictable operating expenditures. Super blanket certificates may not extend beyond the end of the current fiscal year.

This section also provides two exceptions to the above requirements:

- A. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was both at the time of the contract or order and at the time of the certificate appropriated and free of any previous encumbrances, the Township 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 (a then and now 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 Board of Trustees. As of April 7, 2003, this amount was increased to three thousand dollars.

78% of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. Unless the exceptions noted above are 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 Township funds being over expended or exceeding budgetary spending limitations, we recommend that the Township Clerk certify that the funds are or will be available prior to obligation by Township personnel. When prior certification is not possible, then and now certification should be utilized.

**MADISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40645-001	Revised Code 5705.41(D), failure to certify funds	No	Reissued as finding Number 2002-001



**Auditor of State
Betty Montgomery**

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MADISON TOWNSHIP

LICKING 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
AUGUST 21, 2003**