



**Auditor of State  
Betty Montgomery**



**MADISON TOWNSHIP  
FAYETTE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings .....	17

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Madison Township  
Fayette County  
1233 McCafferty Road NE  
Washington Courthouse, Ohio 43160

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2002 and 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 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, 2002 and 2001, 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 June 3, 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.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under Section 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

June 3, 2003

**MADISON TOWNSHIP  
FAYETTE 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>	
<b>Cash Receipts:</b>			
Local Taxes	\$29,240	\$37,902	\$67,142
Intergovernmental	28,677	60,611	89,288
Special Assessments	0	2,601	2,601
Licenses, Permits, and Fees	0	5,000	5,000
Interest	1,120	1,873	2,993
Other Revenue	830	210	1,040
	<u>59,867</u>	<u>108,197</u>	<u>168,064</u>
<b>Total Cash Receipts</b>			
	<u>59,867</u>	<u>108,197</u>	<u>168,064</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	47,261	0	47,261
Public Safety	0	25,752	25,752
Public Works	1,474	19,488	20,962
Health	2,182	23,756	25,938
Debt Service:			
Redemption of Principal	2,675	10,639	13,314
Interest and Fiscal Charges	325	1,504	1,829
Capital Outlay	22	31,280	31,302
	<u>53,939</u>	<u>112,419</u>	<u>166,358</u>
<b>Total Cash Disbursements</b>			
	<u>53,939</u>	<u>112,419</u>	<u>166,358</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>5,928</u>	<u>(4,222)</u>	<u>1,706</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Other Sources		2,250	2,250
	<u>0</u>	<u>2,250</u>	<u>2,250</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
	<u>0</u>	<u>2,250</u>	<u>2,250</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	5,928	(1,972)	3,956
<b>Fund Cash Balances, January 1</b>	81,179	133,807	214,986
	<u>81,179</u>	<u>133,807</u>	<u>214,986</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$87,107</b></u>	<u><b>\$131,835</b></u>	<u><b>\$218,942</b></u>

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

**MADISON TOWNSHIP  
FAYETTE 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$31,579	\$40,806	\$72,385
Intergovernmental	27,034	59,993	87,027
Special Assessments	0	2,648	2,648
Licenses, Permits, and Fees	0	2,450	2,450
Interest	2,796	5,124	7,920
Other Revenue	10,195	0	10,195
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	71,604	111,021	182,625
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	45,056	0	45,056
Public Safety	0	26,281	26,281
Public Works	1,474	23,546	25,020
Health	2,139	17,333	19,472
Debt Service:			
Redemption of Principal		12,572	12,572
Interest and Fiscal Charges		2,571	2,571
Capital Outlay	7,635	49,446	57,081
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	56,304	131,749	188,053
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	15,300	(20,728)	(5,428)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts and (Disbursements):</b>			
Other Sources		1,350	1,350
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	1,350	1,350
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,300	(19,378)	(4,078)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	65,879	153,185	219,064
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$81,179</b>	<b>\$133,807</b>	<b>\$214,986</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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



**MADISON TOWNSHIP  
FAYETTE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Madison Township, Fayette 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 road and bridge maintenance and cemetery maintenance. The Township contracts with the BPM Joint Fire District and the Tri-County Joint Fire District to provide fire services ambulance 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 Deposits**

The Township Clerk deposits all available funds of the Township. Township funds are deposited in a "Now" checking account and a High Balance Business Saving Account. Interest income was not distributed to Township funds based upon the Ohio Revised Code. Adjustments have been made to distribute the interest income to the proper funds, which are reflected on the accompanying financial statements.

**D. 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:

Motor Vehicle License Tax Fund

This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

**MADISON TOWNSHIP  
FAYETTE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Gasoline Tax Fund

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

Permissive Motor Vehicle License Fund

This fund receives tax money to pay for maintaining and repairing Township roads.

**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 function 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. However, the Township had no material outstanding encumbrances at December 31, 2002 and 2001.

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.

**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 and investments at December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$218,942	\$214,986
Total deposits	<u>218,942</u>	<u>214,986</u>

**MADISON TOWNSHIP  
FAYETTE COUNTY**

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

**2. EQUITY IN POOLED CASH (Continued)**

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

**3. BUDGETARY ACTIVITY**

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,122	\$59,867	\$27,745
Special Revenue	113,415	110,447	(2,968)
Total	\$145,537	\$170,314	\$24,777

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$109,619	\$53,939	\$55,680
Special Revenue	251,450	112,419	139,031
Total	\$361,069	\$166,358	\$194,711

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,400	\$71,604	\$39,204
Special Revenue	114,215	112,371	(1,844)
Total	\$146,615	\$183,975	\$37,360

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,074	\$56,304	\$38,770
Special Revenue	269,901	131,749	138,152
Total	\$364,975	\$188,053	\$176,922

The Township did not obtain prior certification of the fiscal officer for all purchases. The Township did not utilize purchase orders as required by Ohio Administrative Code.

**MADISON TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(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, 2002 was as follows:

	Principal	Interest Rate
Capital Lease on Navistar Dump Truck	21,456	4.55%
Total	\$21,456	

The capital lease relates to the acquisition of a dump truck acquired during 1999. The Township approved \$70,266 for this acquisition in 1999. Annual payments on the truck lease have been made semi-annually during 2002 and 2001. The Township has routinely been making their January payment in December of each year.

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

	Truck Lease
Year ending December 31:	
2003	7,572
2004	15,143
Total	\$22,715

**6. RETIREMENT SYSTEMS**

The Township's certified Fire officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is 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 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. The Township has paid all contributions required through December 31, 2002.

**MADISON TOWNSHIP  
FAYETTE COUNTY**

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

**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 coverage 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 Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. 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, which the General Reinsurance Corporation will reinsure.

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.

Property Coverage

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) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31 (latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

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

Madison Township  
Fayette County  
1233 McCafferty Road NE  
Washington Courthouse, Ohio 43160

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 3, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 3, 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. 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 over internal control over financial reporting that, in our judgment, could adversely affect Madison Townships 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 2002-001 and 002-003.

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 over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-03 to be 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 in a separate letter dated June 3, 2003.

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.



**Betty Montgomery**  
Auditor of State

June 3, 2003



**MADISON TOWNSHIP  
FAYETTE COUNTY**

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

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

**FINDING NUMBER 2002-001**

**Noncompliance Citation/ Reportable Condition**

Ohio Revised Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- 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 Board of 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.
- B. If the amount involved is less than \$1,000 dollars (\$3,000 effective April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Our tests indicated that 100% of disbursements had no prior certification of the Clerk and no "then and now" certificate was issued, contrary to this requirement.

This procedure is not only required by Ohio law, but it is also a key control in the disbursement process. Without proper certification of funds, disbursements could be made without adequate current resources being available or disbursements could be made in excess of authorized appropriations. We recommend that prior certifications be done for all disbursements. In instances when prior certifications are not practical, "then and now" certifications should be made.

### FINDING NUMBER 2002-002

#### Noncompliance Citation

Ohio Revised Code, Section 135.21, provides that the distribution of interest earned on monies in the treasuries of other subdivisions is generally subject to Ohio Rev. Code Sections 135.21, although specific exceptions may exist. As a general rule:

- 1) Interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds, because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs (including undivided tax funds);
- 2) All other interest earned must be credited to the general fund of the subdivision, with the following exceptions:

Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The fiscal officer failed to post the interest earned on monies held to the proper funds as prescribed. In 2001, \$3,222 of interest was not posted to the proper funds, and in 2002, \$1,136 of interest was not posted to the proper funds, adjustments were made to the accompanying financial statements. These adjustments were made to distribute interest to Township funds in accordance with Ohio Revised Code, Section 135.21.

### FINDING NUMBER 2002-003

#### Material Weakness

The Auditor of State has prescribed guidelines for local governments which are set forth in the OAC Chapter 117-2. Ohio Admin. Code, Section 117-2-02, outlines the accounting system and accounting records that are to be maintained to enable the public office to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The accounting system being maintained should be such that the financial statement elements are properly classified and described as prescribed by the Auditor of State.

The accounting system of the Township was not accurately and completely maintained and contained many errors and deficiencies. The receipt ledger did not reflect all receipts received by the township and was not totaled accurately. The Township appropriation ledger did not reflect all disbursements of the township and was not accurately totaled. The receipts and appropriation ledgers were not reconciled to the cash journal. Since these ledgers were used to prepare the annual financial statements, these financial statements did not present a true and accurate picture of the Township's financial activity and as such did not provide management with complete and accurate financial information to make informed decisions. By not providing management with the proper level of classified receipts and disbursements the risk of taking incorrect action, which could result in negative fund balances is greatly increased.

**FINDING NUMBER 2002-003  
(Continued)**

Subsection (C) provides the following systems and documents that may be used to effectively maintain the accounting and budgetary records of the local public office.

- a. The accounting system should integrate the budgetary accounts, at the legal level of control or lower, to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The accounting system of the Township did not integrate the approved budgetary amounts into the respective receipts journal as required to allow for ongoing comparison and timely reporting to the management of the Township. Without a timely and ongoing comparison of budget to actual amounts, the Township is at risk of over-estimating receipts, and thus increasing the possibility of a negative fund balance. A complete and detailed comparison of budget to actual information should be provided to the Board of Trustees monthly at a regular Board meeting.

- b. Purchase orders, certified by the fiscal officer, should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s). The certificate should be attached at the time a commitment to purchase goods or services are made.

As noted in finding 2002-40624-001 above, the District failed to use purchase orders on 100% of its audit period expenditures. Without the use of a properly completed purchase order which has been certified by the Clerk, disbursements could be made without adequate current resources being available, could be made from the wrong budgetary appropriation line item, or could be made in excess of authorized appropriations. A standard purchase order should be completed and certified by the Clerk prior to the purchase commitment being made, and said purchase order should be properly recorded to the appropriation ledger to encumber funds against the applicable account line items.

Subsection (D) provides that the accounting records may include the following:

- a. A receipts ledger which assembles and classifies receipts into separate accounts and contains the amount, date, name of the payor, purpose, receipt number, and other information required for the transaction.

While the clerk did maintain a receipts ledger during the audit period, it was not always accurately posted or complete nor did it include the budgeted estimated receipts for each respective line item. The Township's receipts ledger did not contain all of the receipts received by the Township and were not totaled correctly. A detailed receipts ledger containing the complete and accurate account of all receipts reduces the risk of misclassifying receipts, provides a continuing comparison of budgeted receipts to actual, and facilitates the preparation of financial reports submitted to management and filed with the Auditor of State. A receipts ledger containing all required information should be maintained by the Clerk, and should be reconciled to the Cash Journal and bank balance on at least a monthly basis.

- b. An appropriation ledger which assembles and classifies expenditures into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

**FINDING NUMBER 2002-003  
(Continued)**

While the clerk did maintain an appropriation ledger during the audit period, it was not always accurately posted or complete. Sections of the Township's appropriation ledger were not correctly totaled. A detailed appropriations ledger containing the complete and accurate level of account classification of all disbursements reduces the risk of misclassifying expenditures, provides a continuing comparison of budgeted appropriations to actual, and facilitates the preparation of financial reports submitted to management and filed with the Auditor of State. An appropriation ledger containing all required information should be maintained by the Clerk, and should be reconciled to the Cash Journal and bank balance on at least a monthly basis.

Madison Township should implement procedures to reasonably assure the completeness, and accuracy of receipt and disbursement postings to the receipts ledger and appropriations ledger. A monthly reconciliation of total receipts and disbursements by fund should be made to the respective totals in monthly cash journal. We recommend that the Township summarize monthly subtotals in the cash journal and ledgers, the township should then assure the monthly totals in the ledgers agree to the cash journal, and reconcile the cash journal to the bank statement. The Board of Trustees should periodically review receipt and appropriation ledgers to check that transactions have been properly recorded. Without accurate financial information, the Board cannot make informed decisions regarding the financial status of the Township.

**MADISON TOWNSHIP  
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-40624-001	ORC Section 5705.41(D) 100% of disbursements had no prior certification.	No.	Not corrected – Repeated as finding # 2002-40624-001
2000-40624-002	OAC Section 117-2-02 (C)(2) 100% of disbursements were not properly encumbered against appropriation accounts and certified by the Clerk.	No.	Not corrected – Repeated as finding # 2002-40624-003
2000-40624-003	ORC Section 135.21 The fiscal officer failed to post the interest earned on monies held to the proper funds as prescribed.	No.	Not corrected – Repeated as finding # 2002-40624-002





**Auditor of State  
Betty Montgomery**

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**

**FAYETTE 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  
JUNE 24, 2003**