



**Auditor of State  
Betty Montgomery**



MADISON TOWNSHIP  
JACKSON COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Madison Township  
Jackson County  
3240 Gallipolis Road  
Oak Hill, Ohio 45656

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Jackson 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 Madison Township, Jackson County, 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 May 23, 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 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.

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 23, 2003

**MADISON TOWNSHIP  
JACKSON 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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$15,038	\$24,165	\$	\$39,203
Intergovernmental	30,646	67,757	78,258	176,661
Earnings on Investments	332	505		837
Other Revenue	135	204		339
	<u>46,151</u>	<u>92,631</u>	<u>78,258</u>	<u>217,040</u>
<b>Total Cash Receipts</b>				
	<u>46,151</u>	<u>92,631</u>	<u>78,258</u>	<u>217,040</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	54,380			54,380
Public Works		87,425		87,425
Health	4,929			4,929
Miscellaneous		824		824
Debt Service:				
Redemption of Principal		6,723	11,308	18,031
Interest and Fiscal Charges		1,645	2,259	3,904
Capital Outlay		231	59,407	59,638
	<u>59,309</u>	<u>96,848</u>	<u>72,974</u>	<u>229,131</u>
<b>Total Cash Disbursements</b>				
	<u>59,309</u>	<u>96,848</u>	<u>72,974</u>	<u>229,131</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(13,158)</u>	<u>(4,217)</u>	<u>5,284</u>	<u>(12,091)</u>
<b>Fund Cash Balances, January 1</b>	<u>34,580</u>	<u>39,746</u>	<u>28,968</u>	<u>103,294</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$21,422</u></u>	<u><u>\$35,529</u></u>	<u><u>\$34,252</u></u>	<u><u>\$91,203</u></u>

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

**MADISON TOWNSHIP  
JACKSON 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>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$13,278	\$22,154	\$	\$35,432
Intergovernmental	142,073	67,885	78,302	288,260
Earnings on Investments	662	558		1,220
Other Revenue	1,199	929		2,128
	<u>157,212</u>	<u>91,526</u>	<u>78,302</u>	<u>327,040</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	58,216			58,216
Public Safety			31,037	31,037
Public Works		126,254		126,254
Health	4,568			4,568
Debt Service:				
Redemption of Principal			32,796	32,796
Interest and Fiscal Charges			2,496	2,496
Capital Outlay	78,090	53,872	3,366	135,328
	<u>140,874</u>	<u>180,126</u>	<u>69,695</u>	<u>390,695</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>16,338</u>	<u>(88,600)</u>	<u>8,607</u>	<u>(63,655)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		102,000		102,000
Transfers-Out	(102,000)			(102,000)
Proceeds of Notes	78,090			78,090
	<u>(23,910)</u>	<u>102,000</u>	<u>0</u>	<u>78,090</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>(7,572)</u>	<u>13,400</u>	<u>8,607</u>	<u>14,435</u>
<b>Fund Cash Balances, January 1</b>	<u>42,152</u>	<u>26,346</u>	<u>20,361</u>	<u>88,859</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$34,580</u></u>	<u><u>\$39,746</u></u>	<u><u>\$28,968</u></u>	<u><u>\$103,294</u></u>

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



**MADISON TOWNSHIP  
JACKSON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Madison Township, Jackson 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 and fire protection.

The Township is associated with the Madison-Jefferson Joint Fire District which is defined as a jointly governed organization. This organization is presented in Note 8.

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.

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 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 for constructing, maintaining and repairing Township roads.

*Motor Vehicle License Tax Fund*- This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

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

**MADISON TOWNSHIP  
JACKSON COUNTY**

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

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

**C. Fund Accounting (Continued)**

**3. Capital Projects Fund**

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

*Permanent Improvement Fund* – This fund receives monies from permissive sales tax proceeds for permanent improvement projects within 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. 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. The Township did not use the encumbrance method of accounting.

A summary of 2002 and 2001 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 statement.

**MADISON TOWNSHIP  
JACKSON COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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:

	2001	2002
Demand deposits	\$103,294	\$91,203

**Deposits:** Deposits are insured by the Federal Deposit 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	\$58,500	\$46,151	(\$12,349)
Special Revenue	95,783	92,631	(3,152)
Capital Projects	78,500	78,258	(242)
Total	\$232,783	\$217,040	(\$15,743)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,077	\$59,309	\$33,768
Special Revenue	135,529	96,848	38,681
Capital Projects	107,468	72,974	34,494
Total	\$336,074	\$229,131	\$106,943

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,500	\$235,302	\$73,802
Special Revenue	193,625	193,526	(99)
Capital Projects	77,000	78,302	1,302
Total	\$432,125	\$507,130	\$75,005

**MADISON TOWNSHIP  
JACKSON COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,599	\$242,874	(\$151,275)
Special Revenue	119,349	180,126	(60,777)
Capital Projects	95,890	69,695	26,195
Total	\$306,838	\$492,695	(\$185,857)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and Special Revenue Funds at December 31, 2001. This was a result of the Clerk not filing an amended appropriation measure for additional estate tax monies received.

**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.

Public utilities are also taxed on personal and real property located within the Township.

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
General Obligation Note	\$60,058	6.50%

The General obligation note was issued in 2001 to finance the purchase of a grader for road maintenance.

**MADISON TOWNSHIP  
JACKSON COUNTY**

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

**5. DEBT (Continued)**

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

Year ending December 31:	General Obligation Note
2003	\$21,898
2004	21,898
2005	21,618
Total	<u>\$65,414</u>

**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 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.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

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

The Township has obtained health insurance for the officials' coverage through a private carrier.

**8. JOINTLY GOVERNED ORGANIZATION**

*The Madison-Jefferson Joint Fire District-* The Madison-Jefferson Joint Fire District, Jackson County, 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 Fire District is directed by an appointed five-member Board of Trustees. Three members are appointed by the Fire Fighter's Association and one is appointed by each of the Township's which are members in the Fire District. The Fire District provides the community with fire protection. To obtain financial information write to the Madison-Jefferson Joint Fire District, Joan Dill-Clerk/Treasurer, 110 Washington Street, Oak Hill, Ohio 45656.

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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  
Jackson County  
3240 Gallipolis Road  
Oak Hill, Ohio 45656

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 23, 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 number 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 May 23, 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 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 May 23, 2003.

Madison Township  
Jackson 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 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive style with a large initial "B".

**Betty Montgomery**  
Auditor of State

May 23, 2003



**MADISON TOWNSHIP  
JACKSON 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**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations at the fund level on December 31, 2001 in the General Fund by \$151,275 or 165%, the Motor Vehicle License Tax Fund by \$17,360 or 88%, the Gasoline Tax Fund by \$23,124 or 36%, and the Road and Bridge Fund by \$20,172 or 58%. This was a result of the Township receiving an increased certificate of estimated resources, but never amending appropriations for the increased revenue. This did not result in negative fund balances or overspending, but was more a result of the Township not formally appropriating the additional monies.

Also, expenditures exceeded appropriations at December 31, 2001 at the legal level of control in the Motor Vehicle License Tax Fund-Tools line item by \$11,439 or 762% and at December 31, 2002 in the Motor Vehicle License Tax Fund -Tools line item by \$800 or 40% and the Motor Vehicle License Tax Fund - Maintenance line item by \$2,312 or 77%. This was a result of the Clerk not properly posting the line item appropriations to the appropriation ledgers.

We recommend the Clerk and Trustees monitor appropriations versus expenditures and not expend money from a fund unless it has been lawfully appropriated.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

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 - This exception provides that, if the fiscal officer can certify that both at the time that 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 previous 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.

**MADISON TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**FINDING NUMBER 2002-002 (Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Code Section 5705.41(D) (Continued)**

- B. Amounts of less than \$1,000, which was increased to \$3,000 on April 7, 2003, for political subdivisions, 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.

One hundred percent of expenditures were not certified prior to the purchase commitment being made. By not certifying funds prior to a purchase commitment, this may cause the Township to obligate money it does not have.

We recommend the Township Clerk certify funds prior to an obligation being incurred.

**MADISON TOWNSHIP  
JACKSON 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; <b><i>Explain:</i></b>
2000-40740-001	Ohio Revised Code Section 5705.41 (D) states that no subdivision is to expend money unless it has been properly encumbered.	No	Not corrected. Reissued as Finding 2002-002





**Auditor of State  
Betty Montgomery**

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**MADISON TOWNSHIP**

**JACKSON 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  
JULY 29, 2003**