



**Auditor of State
Betty Montgomery**

MADISON TOWNSHIP
CLARK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Madison Township
Clark County
P.O. Box V
35 South Chillicothe Street
South Charleston, OH 45368

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Clark County, (the Township), as of and for the years ended December 31, 2003 and 2002. 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.

The Township's financial transactions were processed using Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.101 requires the Auditor of State to provide UAN services and Ohio Revised Code §§ 117.11(B) and 115.56 mandates the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As described 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, 2003 and 2002, 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 July 28, 2004, 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.

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Madison Township
Clark County
Independent Accountants' Report
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This report is intended solely for the information and use of the management, 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

July 28, 2004

**MADISON TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$14,870	\$128,577	\$143,447
Intergovernmental	20,327	75,900	96,227
Charges for Services		24,226	24,226
Earnings on Investments	1,649	140	1,789
Other Revenue	370	5,268	5,638
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	37,216	234,111	271,327
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	49,633		49,633
Public Safety		71,226	71,226
Public Works	13,548	116,423	129,971
Health		18,448	18,448
Capital Outlay		268,837	268,837
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	63,181	474,934	538,115
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(25,965)	(240,823)	(266,788)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Bonds		135,000	135,000
Other Uses	(15)		(15)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(15)	135,000	134,985
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(25,980)	(105,823)	(131,803)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	44,499	308,112	352,611
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$18,519	\$202,289	\$220,808
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The notes to the financial statements are an integral part of this statement.

**MADISON TOWNSHIP
CLARK 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$17,069	\$143,059	\$160,128
Intergovernmental	50,575	72,600	123,175
Charges for Services		26,891	26,891
Earnings on Investments	4,186	480	4,666
Other Revenue	5,859	100	5,959
	<u>77,689</u>	<u>243,130</u>	<u>320,819</u>
Total Cash Receipts			
	<u>77,689</u>	<u>243,130</u>	<u>320,819</u>
Cash Disbursements:			
Current:			
General Government	53,838		53,838
Public Safety		101,488	101,488
Public Works		87,302	87,302
Health		12,808	12,808
Capital Outlay	47,000	58,687	105,687
	<u>100,838</u>	<u>260,285</u>	<u>361,123</u>
Total Cash Disbursements			
	<u>100,838</u>	<u>260,285</u>	<u>361,123</u>
Total Receipts Over/(Under) Disbursements	<u>(23,149)</u>	<u>(17,155)</u>	<u>(40,304)</u>
Fund Cash Balances, January 1	<u>67,648</u>	<u>325,267</u>	<u>392,915</u>
Fund Cash Balances, December 31	<u><u>\$44,499</u></u>	<u><u>\$308,112</u></u>	<u><u>\$352,611</u></u>

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

**MADISON TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Madison Township, Clark 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, 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

Township maintains a checking account and a money market account.

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.

Fire District Fund – This fund receives revenue allocated from property taxes, which is utilized to maintain a Township Fire Department.

Emergency Medical Services Fund – This fund receives revenue allocated from taxes and charges for services which is utilized to maintain township emergency medical services.

**MADISON TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 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 AND INVESTMENTS

The Township maintains a cash and investments 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>2003</u>	<u>2002</u>
Demand deposits	<u>\$220,808</u>	<u>\$352,611</u>
Total deposits	<u><u>\$220,808</u></u>	<u><u>\$352,611</u></u>

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

**MADISON TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,771	\$37,216	\$2,445
Special Revenue	352,705	369,111	16,406
Total	\$387,476	\$406,327	\$18,851

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,271	\$63,196	\$16,075
Special Revenue	661,086	474,934	186,152
Total	\$740,357	\$538,130	\$202,227

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,272	\$77,689	\$37,417
Special Revenue	217,983	243,130	25,147
Total	\$258,255	\$320,819	\$62,564

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,921	\$100,838	\$7,083
Special Revenue	543,250	260,285	282,965
Total	\$651,171	\$361,123	\$290,048

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.

**MADISON TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$135,000	4.9%
Total	\$135,000	

The general obligation bonds were issued to finance the purchase of a new fire truck to be used for Township fire protection.

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

	General Obligation Bonds
Year ending December 31:	
2004	\$27,240
2005	\$25,635
2006	23,655
2007	22,724
2008	21,793
2009 – 2010	40,793
Total	\$161,840

6. RETIREMENT SYSTEMS

The Township's officials 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. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

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 local governments. 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.

**MADISON TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003 and 2002

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	\$16,000,923	\$14,559,524

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	\$6,040,104	\$5,392,670

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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
Clark County
P.O. Box V
35 South Chillicothe Street
South Charleston, OH 45368

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Clark County, (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 28, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 28, 2004.

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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

**Internal Control Over Financial Reporting
(Continued)**

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 the reportable condition 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 July 28, 2004.

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

July 28, 2004

**MADISON TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

REPORTABLE CONDITION

Emergency Medical Services Billings and Service Organization

The Township has delegated emergency medical services (EMS) billing and collection services to a third party administrator. The Fire Department prepared individual EMS run forms which were submitted to the service organization for billing and collection. Payments were received by the Township Clerk and posted to the general ledger. However, the Township did not perform any reconciliation or monitoring of the amounts received versus the amounts submitted to be billed and collected. Additionally, the Township did not establish procedures to determine whether the service organization had sufficient controls in place and operating effectively to reduce the risk that these services have not been completely and accurately processed in accordance with the Township's contract.

The Township should develop and implement procedures to monitor the service organization's processing of the Township's EMS accounts for reasonableness. This procedure should provide assurance over the completeness and accuracy of billing and should reduce the risk of errors or omissions by the service organization. This may be accomplished by an annual audit of the service provider processing. Statement of Auditing Standards (SAS) 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS 70, should provide the Township with an appropriate level of assurance that EMS billings are being processed in conformance with the contract.

The Township should consider specifying in their next contract with the third-party administrator that an annual Tier II SAS # 70 audit be performed and conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective state. The Township should be provided a copy of the SAS 70 report timely and should review the report's content. If the third-party administrator refuses to provide a Tier II SAS 70 report, we recommend that the Township only contract with a third-party administrator that will provide such a report.

**MADISON TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-40312-001	Township did not perform reconciliations for their EMS billings and collections. Also, did not establish procedures to determine whether the service organization had sufficient controls in place, operating effectively to reduce risk that services were being completely and accurately processed in accordance with the township's contract	NO	This finding is repeated as finding 2003-001 in current report.



**Auditor of State
Betty Montgomery**

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MADISON TOWNSHIP

CLARK 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 26, 2004**