



**MADISON TOWNSHIP
FAYETTE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MADISON TOWNSHIP
FAYETTE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Madison Township
Fayette County
11524 Cook Yankeetown Road
Mt. Sterling, Ohio 43143

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, 2000 and 1999. 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, 2000 and 1999, 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 19, 2001, 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 of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

July 19, 2001

**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, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$26,734	\$36,845	\$63,579
Intergovernmental	18,756	63,615	82,371
Special Assessments	0	2,305	2,305
Licenses, Permits, and Fees	0	8,100	8,100
Earnings on Investments	4,692	3,453	8,145
Other Revenue	2,000	0	2,000
	<u>52,182</u>	<u>114,318</u>	<u>166,500</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	42,321	0	42,321
Public Safety	21	26,298	26,319
Public Works	1,474	20,665	22,139
Health	0	19,998	19,998
Capital Outlay	225	62,166	62,391
	<u>44,041</u>	<u>129,127</u>	<u>173,168</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>8,141</u>	<u>(14,809)</u>	<u>(6,668)</u>
Fund Cash Balances, January 1	<u>57,738</u>	<u>167,993</u>	<u>225,731</u>
Fund Cash Balances, December 31	<u>\$65,879</u>	<u>\$153,184</u>	<u>\$219,063</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, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$26,455	\$36,586	\$63,041
Intergovernmental	25,269	65,768	91,037
Special Assessments	0	2,419	2,419
Licenses, Permits, and Fees	0	3,450	3,450
Earnings on Investments	4,188	3,663	7,851
Other Revenue	160	0	160
	<u>56,072</u>	<u>111,886</u>	<u>167,958</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	50,746	0	50,746
Public Safety	21	25,479	25,500
Public Works	0	23,533	23,533
Health	0	9,423	9,423
Capital Outlay	1,450	12,398	13,848
	<u>52,217</u>	<u>70,833</u>	<u>123,050</u>
Total Cash Disbursements			
	<u>52,217</u>	<u>70,833</u>	<u>123,050</u>
Total Receipts Over/(Under) Disbursements	<u>3,855</u>	<u>41,053</u>	<u>44,908</u>
Fund Cash Balances, January 1	<u>53,883</u>	<u>126,940</u>	<u>180,823</u>
Fund Cash Balances, December 31	<u><u>\$57,738</u></u>	<u><u>\$167,993</u></u>	<u><u>\$225,731</u></u>

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

**MADISON TOWNSHIP
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

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 general governmental services, including road and bridge maintenance and cemetery maintenance. The Township contracts with the Bloomingburg-Madison-Marion Fire District and Tri County Fire Department to provide fire services and 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 Savings 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 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:

**MADISON TOWNSHIP
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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.

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

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

Permissive Motor Vehicle License Fund - This fund receives tax money for the 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 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 re-appropriated. The Township did not encumber all commitments required by Ohio law. However, the Township had no material outstanding encumbrances at December 31, 2000 and 1999.

A summary of 2000 and 1999 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
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$219,063</u>	<u>\$225,731</u>

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, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$28,540	\$52,182	\$23,642
Special Revenue	<u>107,260</u>	<u>114,318</u>	<u>7,058</u>
Total	<u>\$135,800</u>	<u>\$166,500</u>	<u>\$30,700</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$84,956	\$44,041	\$40,915
Special Revenue	<u>276,572</u>	<u>129,127</u>	<u>147,445</u>
Total	<u>\$361,528</u>	<u>\$173,168</u>	<u>\$188,360</u>

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$27,000	\$56,072	\$29,072
Special Revenue	<u>105,712</u>	<u>111,886</u>	<u>6,174</u>
Total	<u>\$132,712</u>	<u>\$167,958</u>	<u>\$35,246</u>

**MADISON TOWNSHIP
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,883	\$52,217	\$34,666
Special Revenue	<u>226,650</u>	<u>70,833</u>	<u>155,817</u>
Total	<u>\$313,533</u>	<u>\$123,050</u>	<u>\$190,483</u>

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

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 payments, 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, 2000 was as follows:

	Principal	Interest Rate
Capital Lease on Navistar Dump Truck	<u>\$53,363</u>	4.55%

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 2000 and 1999.

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

Year ending December 31:	Truck Lease
2001	\$15,143
2002	15,143
2003	15,143
2004	<u>15,143</u>
Total	<u>\$60,572</u>

**MADISON TOWNSHIP
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RETIREMENT SYSTEMS

Township 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 post-retirement 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 10.84% for 2000 and 13.55% for 1999 of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Property
- Vehicle

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

Madison Township
Fayette County
11524 Cook Yankeetown Road
Mt. Sterling, Ohio 43143

To the Board of Trustees:

We have audited the financial statements of Madison Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 19, 2001. 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 2000-40624-001, 2000-40624-002 and 2000-40624-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 19, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-40624-001 and 2000-40624-002.

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 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 2000-40624-001 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 of the Township in a separate letter dated July 19, 2001.

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

Jim Petro
Auditor of State

July 19, 2001

**MADISON TOWNSHIP
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40624-001

Noncompliance Citation/Material Weakness

Ohio Rev. 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:

1. 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.
2. If the amount involved is less than \$1,000, 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 2000-40624-002

Noncompliance Citation/Reportable Condition

Ohio Admin. Code, Section 117-2-02 (C)(2), (formerly OAC 117-3-5), provides that purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Ohio Rev. Code, Section 5705.41(D). Purchase orders are not effective unless the fiscal officer's certificate is attached. The certificate should be attached at the time a commitment to the purchase goods or services is made.

Our tests indicate that 100% of disbursements were not properly encumbered against appropriation account(s) and certified by the clerk.

FINDING NUMBER 2000-40624-003

Noncompliance Citation

Ohio Rev. 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 exception:
 - 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.

Adjustments were made to distribute interest to Township funds in accordance with ORC and adjustments are reflected in accompanying financial statements.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
AUGUST 14, 2001**