

Madison Township

Scioto County, Ohio

Regular Audit

For the Years Ended December 31, 2005 and 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Madison Township
P.O. Box 253
Minford, Ohio 45653

We have reviewed the *Independent Auditors' Report* of Madison Township, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004, through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Madison Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 21, 2006

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MADISON TOWNSHIP
SCIOTO COUNTY

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Ohio Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
Madison Township
Scioto County, Ohio
PO Box 253
Minford, OH 45653

We have audited the accompanying financial statements of Madison Township, Scioto County, (the Township) as of and for the years ended December 31, 2005 and 2004. 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 reasonably assure 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 described in Note 1, the government has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the funds accompanying financial statements presented for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township's combined funds as of December 31, 2005 and 2004, or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Madison Township, Scioto County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion & Analysis for the year ended December 31, 2005 and 2004. The Township has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2006, 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

June 15, 2006

**MADISON TOWNSHIP
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$ 79,149	\$ 316,840	\$ 395,989
Intergovernmental	33,023	138,829	171,852
Earnings on Investments	381	59	440
Miscellaneous	8,842	874	9,716
	<u>121,395</u>	<u>456,602</u>	<u>577,997</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	66,629	-	66,629
Public Safety	-	184,088	184,088
Public Works	1,413	232,595	234,008
Health	39,365	-	39,365
Conservation - Recreation	15,064	-	15,064
Capital Outlay	-	26,459	26,459
Debt Service:			
Redemption of Principal	-	23,144	23,144
Interest and Fiscal Charges	-	2,455	2,455
	<u>122,471</u>	<u>468,741</u>	<u>591,212</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(1,076)</u>	<u>(12,139)</u>	<u>(13,215)</u>
Other Financing Receipts and (Disbursements):			
Sale of Fixed Assets	-	180	180
	<u>-</u>	<u>180</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>180</u>	<u>180</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,076)	(11,959)	(13,035)
Fund Cash Balances, January 1	<u>18,040</u>	<u>90,896</u>	<u>108,936</u>
Fund Cash Balances, December 31	<u>\$ 16,964</u>	<u>\$ 78,937</u>	<u>\$ 95,901</u>

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

**MADISON TOWNSHIP
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 69,878	\$ 309,960	\$ 379,838
Intergovernmental	24,302	135,696	159,998
Earnings on Investments	447	51	498
Miscellaneous	7,720	510	8,230
	<u>102,347</u>	<u>446,217</u>	<u>548,564</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	67,817	-	67,817
Public Safety	-	179,139	179,139
Public Works	1,415	223,626	225,041
Health	35,612	-	35,612
Capital Outlay	-	62,531	62,531
Debt Service:			
Redemption of Principal	-	10,776	10,776
Interest and Fiscal Charges	-	1,346	1,346
	<u>104,844</u>	<u>477,418</u>	<u>582,262</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(2,497)</u>	<u>(31,201)</u>	<u>(33,698)</u>
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	-	50,000	50,000
Sale of Fixed Assets	-	13,061	13,061
	<u>-</u>	<u>63,061</u>	<u>63,061</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,497)	31,860	29,363
Fund Cash Balances, January 1	<u>20,537</u>	<u>59,036</u>	<u>79,573</u>
Fund Cash Balances, December 31	<u>\$ 18,040</u>	<u>\$ 90,896</u>	<u>\$ 108,936</u>

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

**MADISON TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Madison Township, Scioto 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 road and bridge services, including road and bridge maintenance (public works), ambulance services (health), and fire protection (public safety). The Township contracts with the Minford Volunteer Fire Department and the Stockdale Volunteer Fire Department to provide fire services and the Minford Emergency Ambulance Service Inc. to provide 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.

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 to pay for constructing, maintaining, and repairing Township roads.

Road Paving and Ditching Fund – This fund receives local tax money for constructing, maintaining and repairing Township roads.

Ambulance Fund – This fund receives local tax monies to provide ambulance services to Township residents.

Fire Fund - This fund receives local tax monies to provide fire protection services to Township residents.

**MADISON TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

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 approved 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 canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 4.

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 statements.

F. Cash and Investments

The Township had one primary checking account during our audit period.

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>2005</u>	<u>2004</u>
Demand deposits	\$95,901	\$108,936

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**MADISON TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. 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 2005 and 2004, members of 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 employer contributions required through December 31, 2005.

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.

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Backhoe Lease	\$11,656	4.0%
Tractor Loan	\$38,063	3.04%
Total	\$49,719	

The lease agreement issued on 12/23/02 was to finance the purchase of a backhoe to be used for Township road maintenance. The note is collateralized by the backhoe.

The bank loan issued on 5/11/04 was to finance the purchase of a tractor to be used for Township road and maintenance. The note is collateralized by the tractor.

Amortization of the above debt, including interest payments of \$2,837, is scheduled as follows:

Year ending December 31:	Backhoe Lease	Tractor Loan
2006	\$12,122	\$13,478
2007	0	\$13,478
2008	0	\$13,478
Total	\$12,122	\$40,434

**MADISON TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$120,158	\$121,395	\$1,237
Special Revenue	451,447	456,782	5,335
Total	\$571,605	\$578,177	\$6,572

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,396	\$122,471	(\$10,075)
Special Revenue	500,212	468,741	31,471
Total	\$612,608	\$591,212	\$21,396

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,187	\$102,347	\$4,160
Special Revenue	408,760	509,278	100,518
Total	\$506,947	\$611,625	\$104,678

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,722	\$104,844	(\$3,122)
Special Revenue	467,785	477,418	(9,633)
Total	\$569,507	\$582,262	(\$12,755)

**MADISON TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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 claim, including loss adjustment expenses. 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, 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 in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays for 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 government.

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, 2004 and 2003 (the latest information available).

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained earnings	\$17,046,241	\$16,000,923

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained earnings	\$7,045,167	\$6,040,104

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Madison Township
Scioto County, Ohio
PO Box 253
Minford, Ohio 45653

We have audited the financial statements of Madison Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 15, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Townships 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 that might be material weaknesses. A material weakness is a condition in which the design or operating of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Governmental Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001.

We also noted certain immaterial instance of noncompliance that we reported to management of the Township in a separate letter dated June 15, 2006.

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.



Balestra, Harr & Scherer, CPAs, Inc.
June 15, 2006

**MADISON TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

Finding Number 2005-001

Noncompliance Citation

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

Expenditures exceeded appropriations in the General and Road and Bridge funds at December 31, 2004, and in the General, Gasoline Tax, and Road and Bridge Funds at December 31, 2005.

The Township Clerk should deny payment requests exceeding appropriations. The Township Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriation and amending estimated resources, if necessary.

**MADISON TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	ORC Section 5705.41 (D) states that certification of funds was not always obtained prior to the incurring of the obligation.	No	During test work we noted one instance where a “then and now” certificate was not used. This did not have a material effect on the financial statements so it will not appear in the report, but will be in the management letter.



**Auditor of State
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MADISON TOWNSHIP

SCIOTO 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 31, 2006**