

Madison Township
Scioto County
Regular Audit
For the Years Ended December 31, 2009 and 2008



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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Madison Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc, for the audit period January 1, 2008 through December 31, 2009. 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 Auditor's 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 Auditor's 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 25, 2010

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Scioto County
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For the Years Ended December 31, 2009 and 2008

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Madison Township, Scioto County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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 described more fully in Note 1, the Township 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

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Scioto County
Independent Auditor's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison Township, Scioto County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and 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 July 30, 2010 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

July 30, 2010

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, 2009

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$85,066	\$356,127	\$0	\$441,193
Licenses, Permits, and Fees	8,528	0	0	8,528
Intergovernmental	215,456	204,545	114,111	534,112
Earnings on Investments	25	4	0	29
Miscellaneous	12,560	3,500	0	16,060
Total Cash Receipts	321,635	564,176	114,111	999,922
Cash Disbursements:				
Current:				
General Government	82,550	0	0	82,550
Public Safety	0	211,395	0	211,395
Public Works	1,578	271,307	0	272,885
Health	38,006	0	0	38,006
Capital Outlay	0	12,679	114,111	126,790
Debt Service:				
Redemption of Principal	0	9,832	0	9,832
Interest and Other Fiscal Charges	0	684	0	684
Total Cash Disbursements	122,134	505,897	114,111	742,142
Total Cash Receipts Over Cash Disbursements	199,501	58,279	0	257,780
Other Financing Sources:				
Sale of Fixed Assets	0	650	0	650
Total Other Financing Sources	0	650	0	650
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements	199,501	58,929	0	258,430
Fund Cash Balances, January 1	19,170	87,895	0	107,065
Fund Cash Balances, December 31	\$218,671	\$146,824	\$0	\$365,495

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, 2008

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$82,868	\$346,796	\$429,664
Licenses, Permits, and Fees	8,311	0	8,311
Intergovernmental	39,979	186,365	226,344
Earnings on Investments	2,162	307	2,469
Miscellaneous	1,356	1,400	2,756
Total Cash Receipts	134,676	534,868	669,544
Cash Disbursements:			
Current:			
General Government	83,263	0	83,263
Public Safety	0	217,052	217,052
Public Works	1,570	294,624	296,194
Health	42,871	0	42,871
Conservation/Recreation	29,945	0	29,945
Capital Outlay	0	40,285	40,285
Debt Service:			
Redemption of Principal	0	13,074	13,074
Interest and Other Fiscal Charges	0	399	399
Total Cash Disbursements	157,649	565,434	723,083
Total Cash Receipts Under Cash Disbursements	(22,973)	(30,566)	(53,539)
Other Financing Sources:			
Other Debt Proceeds	0	20,000	20,000
Sale of Fixed Assets	0	1,500	1,500
Total Other Financing Sources	0	21,500	21,500
Excess of Cash Receipts and Other Financing Sources Under Cash Disbursements	(22,973)	(9,066)	(32,039)
Fund Cash Balances, January 1	42,143	96,961	139,104
Fund Cash Balances, December 31	\$19,170	\$87,895	\$107,065

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

Madison Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Madison Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. 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 service.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned and recognizes disbursements 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 the Auditor of State prescribes or permits.

Cash

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Fire and Rescue Ambulance EMS Service Fund – This fund receives property tax monies and homestead and rollback monies to provide ambulance services to Township residents.

Miscellaneous Special Revenue Fund – This fund receives property tax monies and homestead and rollback monies for constructing, maintaining, and repairing Township roads.

Madison Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

Public Works Commission Project Fund – This fund is to account for OPWC on-behalf money that is paid by the OPWC to a contractor for the benefit of the Township. The money was used for the Marcum Road Improvement Project.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Unencumbered appropriations lapse at year-end.

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.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year.

A summary of the 2009 and 2008 budgetary activity appears in Note 3.

Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Note 2 – Equity in Pooled Cash

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

	2009	2008
Demand Deposits	\$365,495	\$107,065

Madison Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 2 – Equity in Pooled Cash (Continued)

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2009 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$150,000	\$321,635	\$171,635
Special Revenue	531,593	564,826	33,233
Capital Projects	114,111	114,111	0
Total	\$795,704	\$1,000,572	\$204,868

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,910	\$122,134	\$33,776
Special Revenue	612,748	505,897	106,851
Capital Projects	114,111	114,111	0
Total	\$882,769	\$742,142	\$140,627

Budgetary activity for the year ending December 31, 2008 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$131,500	\$134,676	\$3,176
Special Revenue	527,900	556,368	28,468
Total	\$659,400	\$691,044	\$31,644

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,641	\$157,649	\$15,992
Special Revenue	619,860	565,434	54,426
Total	\$793,501	\$723,083	\$70,418

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

Madison Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 4 – Property Taxes (Continued)

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

Note 5 – Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Truck Note	\$10,168	3.375%

The note agreement was entered into on May 9, 2008 to finance the purchase of a truck to be used for Township road maintenance. The note is collateralized by the truck.

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

<u>Year Ending December 31:</u>	<u>Truck Note</u>
2010	\$10,516

The Township also had a note as of December 31, 2007 that was paid off during 2008. The note agreement was entered into on May 11, 2004 to finance the purchase of a tractor to be used for Township road maintenance. The note was collateralized by the tractor.

Note 6 – Retirement System

The Township's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

Note 7 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 7 – Risk Management (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township’s share of these unpaid claims collectible in future years is approximately \$5,017.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA	
2007	\$0
2008	4,223
2009	4,689

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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
P.O. Box 253
Minford, Ohio 45653

We have audited the financial statements of Madison Township, Scioto County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 30, 2010, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. This finding is identified as item 2009-1. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Madison Township
Scioto County

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*

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated July 30, 2010.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township's response and, accordingly, we express no opinion on it.

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

July 30, 2010

Madison Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2009-1

Significant Deficiency – Misstatements in the Financial Statements

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. The Township misclassified various receipts by line item and in instances by fund in 2008 which were corrected in the accompanying financial statements. The Township should implement additional monitoring procedures to ensure receipts are properly recorded.

Client Response:

When the Fiscal Officer took office, she was being trained by the retiring Fiscal Officer and posted receipts as per his instructions. When his audit came through with those as noncompliant, she made calls to the County Auditor's office and received instructions on how to post those revenues correctly.

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Mary Taylor, CPA
Auditor of State

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
NOVEMBER 4, 2010**