



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MADISON TOWNSHIP
CLARK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Madison Township
Clark County
P.O. Box V
35 S. Chillicothe Street
South Charleston, Ohio 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, 2001 and 2000. 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.

Except as discussed in the following paragraph, 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.

Charges for Services reported in the Special Revenue Fund Type were processed by a service organization that is independent of the Township. The service organization did not provide us with evidence we requested regarding the design or proper operation of its internal control relative to the processing of the Township's ambulance billing and collecting transactions. We were unable to satisfy ourselves as to the proper processing of ambulance billings recorded as charges for services. Those charges for services represent 7% and 6% of the receipts for the Special Revenue Fund for the years ending December 31, 2001 and 2000, respectively.

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, except for the effects of such adjustments, if any as might have been determined to be necessary had we been able to examine the evidence regarding ambulance billing, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2002 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.

Madison Township
Clark County
Report of Independent Accountants
Page 2

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 17, 2002

**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, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$13,422	\$130,412	\$143,834
Intergovernmental	36,544	72,236	108,780
Charges for Services		16,188	16,188
Earnings on Investments	10,016	1,686	11,702
Other Revenue	1,684	5,762	7,446
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	61,666	226,284	287,950
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	47,377		47,377
Public Safety		44,640	44,640
Public Works	5,000	86,907	91,907
Health		12,772	12,772
Debt Service:			
Redemption of Principal		34,290	34,290
Interest and Fiscal Charges		3,088	3,088
Capital Outlay	1,959	1,436	3,395
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	54,336	183,133	237,469
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	7,330	43,151	50,481
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	60,318	282,116	342,434
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$67,648	\$325,267	\$392,915
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$13,779	\$133,853	\$147,632
Intergovernmental	29,453	71,837	101,290
Charges for Services		14,446	14,446
Earnings on Investments	12,968	2,778	15,746
Other Revenue	455	17,148	17,603
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	56,655	240,062	296,717
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	44,266		44,266
Public Safety		59,318	59,318
Public Works		99,527	99,527
Health		12,683	12,683
Debt Service:			
Redemption of Principal		8,570	8,570
Interest and Fiscal Charges		2,623	2,623
Capital Outlay		20,616	20,616
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	44,266	203,337	247,603
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	12,389	36,725	49,114
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	47,929	245,391	293,320
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$60,318	\$282,116	\$342,434
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The notes to the financial statements are an integral part of this statement.

**MADISON TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

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 - This fund receives revenue derived from Gasoline Tax collected in the Township and is utilized for upkeep of Township roads.

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

**MADISON TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 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 investment 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>2001</u>	<u>2000</u>
Demand deposits	\$392,915	\$337,434
Certificates of deposit		5,000
Total deposits	<u>\$392,915</u>	<u>\$342,434</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

**MADISON TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,309	\$61,666	\$21,357
Special Revenue	203,840	226,284	\$22,444
Total	\$244,149	\$287,950	\$43,801

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,627	\$54,336	\$46,291
Special Revenue	485,955	183,133	302,822
Total	\$586,582	\$237,469	\$349,113

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,788	\$56,655	\$16,867
Special Revenue	219,416	240,062	\$20,646
Total	\$259,204	\$296,717	\$37,513

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,717	\$44,266	\$43,451
Special Revenue	464,806	203,337	261,469
Total	\$552,523	\$247,603	\$304,920

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.

**MADISON TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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

As of December 31, 2001, the Township does not have any outstanding debt obligations. In 1997, the Township entered a Note agreement with Security National Bank for the acquisition of a fire truck. Final maturity was scheduled for 2004, however the Township authorized paying off the obligation in 2001.

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 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

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.

**MADISON TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

A. Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. 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, which the General Reinsurance Corporation will reinsure.

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.

B. Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

C. Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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

Madison Township
Clark County
P.O. Box V
35 S. Chillicothe Street
South Charleston, Ohio 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, 2001 and 2000, and have issued our report thereon dated May 17, 2002, which was qualified since certain information relating to the Special Revenue Fund Type charges for services receipts were not available to be audited. Except for this matter, 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 certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 17, 2002.

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 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 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. A reportable condition is described in the accompanying schedule of findings as item 2001-40312-001.

**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 consider the reportable condition described above as item 2001-40312-001 to be a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 17, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

Jim Petro
Auditor of State

May 17, 2002

**MADISON TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

**REPORTABLE CONDITION
FINDING NUMBER 2001-40312-001**

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 No. 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 report 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.



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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
JUNE 27, 2002**