

Madison Township

Jackson County, Ohio

Regular Audit

For the Years Ended December 31, 2004 and 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com



**Auditor of State
Betty Montgomery**

Board of Trustees
Madison Township
7668 State Route 93
Oak Hill, Ohio 45656

We have reviewed the *Independent Auditor's Report* of Madison Township, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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, Jackson County is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

February 27, 2006

This Page is Intentionally Left Blank.

**MADISON TOWNSHIP
JACKSON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds - For the Year Ended December 31, 2004.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds - For the Year Ended December 31, 2003.....	4
Notes to the Financial Statements.....	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10
Schedule of Findings	11
Schedule of Prior Audit Findings	12

This Page is Intentionally Left Blank.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
Madison Township
Jackson County, Ohio
3240 Gallipolis Road
Oak Hill, OH 45656

We have audited the accompanying financial statements of Madison Township, Jackson County, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Government'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 more fully 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 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 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, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison Township, Jackson County, as of December 31, 2004 and 2003, 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, 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 August 26, 2005, 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. That 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.

August 26, 2005

**MADISON TOWNSHIP
JACKSON 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>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$12,489	\$19,203	\$0	\$31,692
Intergovernmental	34,583	94,887	91,899	221,369
Earnings on Investments	81	106	0	187
	<u>47,153</u>	<u>114,196</u>	<u>91,899</u>	<u>253,248</u>
Total Cash Receipts				
	<u>47,153</u>	<u>114,196</u>	<u>91,899</u>	<u>253,248</u>
Cash Disbursements:				
Current:				
General Government	40,762	66,663	0	107,425
Public Works	0	54,993	0	54,993
Health	4,625	0	0	4,625
Other	600	3,703	0	4,303
Debt Service:				
Redemption of Principal	0	3,468	19,615	23,083
Interest and Fiscal Charges	0	0	2,283	2,283
Capital Outlay	0	1,315	81,230	82,545
	<u>45,987</u>	<u>130,142</u>	<u>103,128</u>	<u>279,257</u>
Total Cash Disbursements				
	<u>45,987</u>	<u>130,142</u>	<u>103,128</u>	<u>279,257</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,166</u>	<u>(15,946)</u>	<u>(11,229)</u>	<u>(26,009)</u>
Fund Cash Balances, January 1	<u>19,538</u>	<u>39,425</u>	<u>33,894</u>	<u>92,857</u>
Fund Cash Balances, December 31	<u>\$20,704</u>	<u>\$23,479</u>	<u>\$22,665</u>	<u>\$66,848</u>

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

**MADISON TOWNSHIP
JACKSON COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$14,282	\$24,221	\$0	\$38,503
Intergovernmental	30,812	93,438	81,716	205,966
Earnings on Investments	109	0	0	109
Other Revenue	1,099	2,185	0	3,284
	<u>46,302</u>	<u>119,844</u>	<u>81,716</u>	<u>247,862</u>
Total Cash Receipts				
	<u>46,302</u>	<u>119,844</u>	<u>81,716</u>	<u>247,862</u>
Cash Disbursements:				
Current:				
General Government	46,413	0	0	46,413
Public Works	0	90,568	0	90,568
Health	1,773	0	0	1,773
Other	0	8,222	0	8,222
Debt Service:				
Redemption of Principal	0	3,468	19,938	23,406
Interest and Fiscal Charges	0	0	1,960	1,960
Capital Outlay	0	6,451	67,416	73,867
	<u>48,186</u>	<u>108,709</u>	<u>89,314</u>	<u>246,209</u>
Total Cash Disbursements				
	<u>48,186</u>	<u>108,709</u>	<u>89,314</u>	<u>246,209</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(1,884)</u>	<u>11,135</u>	<u>(7,598)</u>	<u>1,653</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	0	6,210	7,240	13,450
Advances-In	4,000	4,000	0	8,000
Transfers-Out	0	(13,450)	0	(13,450)
Advances-Out	(4,000)	(4,000)	0	(8,000)
	<u>0</u>	<u>(7,240)</u>	<u>7,240</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
	<u>0</u>	<u>(7,240)</u>	<u>7,240</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(1,884)</u>	<u>3,895</u>	<u>(358)</u>	<u>1,653</u>
Fund Cash Balances, January 1	<u>21,422</u>	<u>35,530</u>	<u>34,252</u>	<u>91,204</u>
Fund Cash Balances, December 31	<u><u>\$19,538</u></u>	<u><u>\$39,425</u></u>	<u><u>\$33,894</u></u>	<u><u>\$92,857</u></u>

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

**MADISON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Madison Township, Jackson 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 road and bridge maintenance, cemetery maintenance, and fire protection.

The Township is associated with the Madison-Jefferson Joint Fire District which is defined as a jointly governed organization.

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. Cash

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

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

**MADISON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Fund:

Permanent Improvement Fund – This fund receives monies from permissive sales tax proceeds for permanent improvement projects within the Township.

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.

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.

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. The Township did not use the encumbrance method of accounting.

A summary of 2004 and 2003 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
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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:

	2004	2003
Demand deposits	\$66,848	\$92,857
Total deposits and investments	\$66,848	\$92,857

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,000	\$47,153	\$2,153
Special Revenue	106,218	114,196	7,978
Capital Projects	81,782	91,899	10,117
Total	\$233,000	\$253,248	\$20,248

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,442	\$45,987	\$18,455
Special Revenue	145,650	130,142	15,508
Capital Projects	113,893	103,128	10,765
Total	\$323,985	\$279,257	\$44,728

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,000	\$46,302	(\$3,698)
Special Revenue	111,649	119,844	8,195
Capital Projects	88,700	81,716	(6,984)
Total	\$250,349	\$247,862	(\$2,487)

**MADISON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,266	\$48,186	\$23,080
Special Revenue	123,272	108,709	14,563
Capital Projects	112,951	89,314	23,637
Total	\$307,489	\$246,209	\$61,280

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
General Obligation Note	20,505	6.50%
Total	\$20,505	

The General Obligation Note was issued in 2001 to finance the purchase of a grader for road maintenance.

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

	General Obligation Note
Year ending December 31:	
2005	21,618
Total	\$21,618

**MADISON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. 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 2004 and 2003, 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, 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Automotive liability
- Errors and omissions

The Township has obtained health insurance for the officials' coverage through a private carrier.

8. JOINTLY GOVERNED ORGANIZATION

The Madison-Jefferson Joint Fire District – The Madison-Jefferson Joint Fire District, Jackson County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Fire District is directed by an appointed five-member Board of Trustees. Three members are appointed by the Fire Fighter's Association and one is appointed by each of the Township's which are members in the Fire District. The Fire District provides the community with fire protection. To obtain financial information write to the Madison-Jefferson Joint Fire District, Joan Dill – Clerk/Treasurer, 110 Washington Street, Oak Hill, Ohio 45656.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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
Jackson County, Ohio
3240 Gallipolis Road
Oak Hill, OH 45656

We have audited the financial statements of Madison Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 26, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather 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 audits, we considered the Township's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. 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* and which is described in the accompanying schedule of findings and responses as items 2004-001.

We noted certain matters that we reported to management in a separate letter dated August 26, 2005.

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.

August 26, 2005

**MADISON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Noncompliance Citation

ORC 5705.41 (D) states, in part, that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The only exception is provided by statute.

Then and Now Certificates can be used for these exceptions, where a fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, and then the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

The township did not properly encumber 48% of expenditures tested in 2003 and 19% of expenditures tested in 2004. This could lead to overspending, and misappropriated funds.

The Township should properly encumber funds before obligations occur.

**MADISON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Section 5705.41(D) states that no subdivision is to expend money unless it has been properly encumbered.	No	Not corrected. Reissued as Finding 2004-001.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MADISON TOWNSHIP

JACKSON 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
MARCH 14, 2006**