



**MADISON TOWNSHIP  
BUTLER COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001-2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**MADISON TOWNSHIP  
BUTLER COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 2001 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 2000 .....	4
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings .....	15

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## REPORT OF INDEPENDENT ACCOUNTANTS

Madison Township  
Butler County  
1504 Middletown-Eaton Road  
Middletown, Ohio 45042

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Butler County, Ohio (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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances 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 July 26, 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.

This report is intended solely for the information and use of the Audit Committee, 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 stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

July 26, 2002

**MADISON TOWNSHIP  
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
<b>Cash Receipts:</b>						
Local Taxes	\$47,674	\$263,983	\$80,886			\$392,543
Intergovernmental	390,114	114,144		174,250		678,508
Special Assessments				1,960		1,960
Charges for Services	44,830					44,830
Licenses, Permits, and Fees		6,020				6,020
Fines, Forfeitures, and Penalties	5,289					5,289
Earnings on Investments	38,036	3,101			51	41,188
Other Revenue	44,316	9,755				54,071
	<u>570,259</u>	<u>397,003</u>	<u>80,886</u>	<u>176,210</u>	<u>51</u>	<u>1,224,409</u>
<b>Total Cash Receipts</b>						
<b>Cash Disbursements:</b>						
Current:						
General Government	259,461					259,461
Public Safety	120,000	80,344				200,344
Public Works	102,439	274,850		2,104		379,393
Health	6,304	2,641				8,945
Debt Service:						
Redemption of Principal			66,565			66,565
Interest and Fiscal Charges			14,872			14,872
Capital Outlay	95,112	2,300		174,250		271,662
	<u>583,316</u>	<u>360,135</u>	<u>81,437</u>	<u>176,354</u>	<u>0</u>	<u>1,201,242</u>
<b>Total Cash Disbursements</b>						
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(13,057)</u>	<u>36,868</u>	<u>(551)</u>	<u>(144)</u>	<u>51</u>	<u>23,167</u>
<b>Other Financing Receipts/(Disbursements):</b>						
Advances-In	53,000	53,000				106,000
Advances-Out	(53,000)	(53,000)				(106,000)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>						
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(13,057)</u>	<u>36,868</u>	<u>(551)</u>	<u>(144)</u>	<u>51</u>	<u>23,167</u>
<b>Fund Cash Balances, January 1</b>	<u>806,614</u>	<u>20,083</u>	<u>30,965</u>	<u>1,517</u>	<u>1,146</u>	<u>860,325</u>
<b>Fund Cash Balances, December 31</b>	<u>\$793,557</u>	<u>\$56,951</u>	<u>\$30,414</u>	<u>\$1,373</u>	<u>\$1,197</u>	<u>\$883,492</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$1,972</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,972</u>

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

**MADISON TOWNSHIP  
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
<b>Cash Receipts:</b>						
Local Taxes	\$66,422	\$273,777	\$61,719			\$401,918
Intergovernmental	426,305	280,044		54,503		760,852
Special Assessments				2,053		2,053
Charges for Services	41,644					41,644
Licenses, Permits, and Fees		4,884				4,884
Fines, Forfeitures, and Penalties	7,769					7,769
Earnings on Investments	56,303	4,174			49	60,526
Other Revenue	56,009	16,216				72,225
<b>Total Cash Receipts</b>	<b>654,452</b>	<b>579,095</b>	<b>61,719</b>	<b>56,556</b>	<b>49</b>	<b>1,351,871</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	324,185					324,185
Public Safety	90,769	74,698				165,467
Public Works	8,248	388,572		1,885		398,705
Health	6,567	8,596				15,163
Debt Service:						
Redemption of Principal			44,517			44,517
Interest and Fiscal Charges			14,447			14,447
Capital Outlay	68,929	192,413		154,503		415,845
<b>Total Cash Disbursements</b>	<b>498,698</b>	<b>664,279</b>	<b>58,964</b>	<b>156,388</b>	<b>0</b>	<b>1,378,329</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>155,755</b>	<b>(85,184)</b>	<b>2,755</b>	<b>(99,832)</b>	<b>49</b>	<b>(26,458)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Proceeds from Sale of Public Debt:						
Sale of Notes				100,000		100,000
Advances-In	55,000	55,000				110,000
Advances-Out	(55,000)	(55,000)				(110,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100,000</b>	<b>0</b>	<b>100,000</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	155,755	(85,184)	2,755	168	49	73,543
Fund Cash Balances, January 1	650,859	105,267	28,210	1,349	1,097	786,782
<b>Fund Cash Balances, December 31</b>	<b>\$806,614</b>	<b>\$20,083</b>	<b>\$30,965</b>	<b>\$1,517</b>	<b>\$1,146</b>	<b>\$860,325</b>
Reserve for Encumbrances, December 31	\$15,000	\$0	\$0	\$0	\$0	\$15,000

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



**MADISON TOWNSHIP  
BUTLER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Madison Township, Butler County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services, and police services. The Township also contracts with the Butler County Sheriff to provide one-half of the Township's police protection 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. STAROhio funds are recorded at share values reported by the mutual fund.

**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:

*Road & Bridge Fund* - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**MADISON TOWNSHIP  
BUTLER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fire Department Fund* - This fund receives property tax money for maintaining fire protection services.

*Permissive Motor Vehicle Fund* - This fund receives property tax money for constructing, maintaining, and repairing Township roads.

*Thomas Road CDBG Fund* - This fund receives Community Development Block Grant money for the construction and development of Thomas Road.

**3. Debt Service Funds**

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Funds:

*General Note Retirement Fund* - This fund receives property tax money for the payment of principal and interest for the Township's fire truck bond.

*General Bond/Note Retirement Fund* - This fund receives property tax money for the payment of principal and interest for the addition to the Township Administration building.

**4. Capital Projects Funds**

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 Projects Funds:

*Permanent Improvement Fund* - The fund received note proceeds for the construction of addition to the Township Administration building.

*Browns Run CIP Fund* - This fund receives Capital Improvement Project Grant money for the construction and development of Browns Run Road.

*Public Works Project Fund* - This fund receives Capital Improvement Project Grant money for the intersection improvement at Elk Creek and Alexandria Roads.

**5. Fiduciary Fund (Trust Fund)**

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following significant Nonexpendable Trust Fund:

*Cemetery Bequest* - The Township has an agreement to maintain the corpus of this trust. This fund receives interest income which is used for cemetery maintenance.

**MADISON TOWNSHIP  
BUTLER 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 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.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber certain commitments required by Ohio law. However, there were no undisclosed material outstanding encumbrances at December 31, 2001 and 2000.

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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**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:

**MADISON TOWNSHIP  
BUTLER COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	2001	2000
Demand deposits	\$79,492	(\$13,675)
Certificates of deposit	1,000	1,000
Total deposits	80,492	(12,675)
STAROhio	803,000	873,000
Total investments	803,000	873,000
Total deposit and investments	\$ 883,492	\$ 860,325

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

**Investments:** Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$601,238	\$570,259	(\$30,979)
Special Revenue	604,650	397,003	(207,647)
Debt Service	80,886	80,886	0
Capital Projects	256,960	176,210	(80,750)
Fiduciary	50	51	1
Total	\$1,543,784	\$1,224,409	(\$319,375)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,296,062	\$585,288	\$710,774
Special Revenue	630,727	360,135	270,592
Debt Service	111,851	81,437	30,414
Capital Projects	258,517	176,354	82,163
Fiduciary	1,196	0	1,196
Total	\$2,298,353	\$1,203,214	\$1,095,139

**MADISON TOWNSHIP  
BUTLER COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$689,379	\$654,452	(\$34,927)
Special Revenue	476,188	579,095	102,907
Debt Service	61,719	61,719	0
Capital Projects	102,000	156,556	54,556
Fiduciary	37	49	12
Total	\$1,329,323	\$1,451,871	\$122,548

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,340,238	\$513,698	\$826,540
Special Revenue	581,454	664,279	(82,825)
Debt Service	89,929	58,964	30,965
Capital Projects	103,349	156,388	(53,039)
Fiduciary	1,134	0	1,134
Total	\$2,116,104	\$1,393,329	\$722,775

Contrary to Ohio law, the Community Development Block grant of \$163,719 and Capital Improvement Project grant of \$53,503 were not recorded in the ledgers or budgeted during fiscal year 2000. Also, the Capital Improvement Project grant of \$4,601 was not recorded or budgeted during fiscal year 2001.

Contrary to Ohio law, at December 31, 2001, the following funds had total appropriations in excess of total estimated resources: Road & Bridge by \$2,556, Permissive Motor Vehicle License Tax by \$15,056, and the Lighting Assessment by \$40.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

**MADISON TOWNSHIP  
BUTLER COUNTY**

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

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Fire Truck General Obligation Notes	\$181,533	5.45%
Administration Building General Obligation Notes	80,000	4.55%
Total	\$261,533	

The Township issued \$100,000 general obligation notes in May 2000, for the construction of a new addition to the Township's administration building. The notes will be repaid in yearly installment of \$20,000, with a interest rate of 5.45%, over a five year period, maturing in March 2005. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

The Township issued \$335,000 general obligation notes in February 1998, for the purchase of two new fire trucks. The notes will be repaid in semi-annual installments, with interest rate of 4.55%, over a seven year period, maturing in February 2005. The general obligation notes are direct obligations and pledge the full faith and credit of the government.

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

Year ending December 31:	Administration Building Notes	Fire Truck Notes
2002	\$23,912	\$56,420
2003	22,807	56,420
2004	21,702	56,420
2005	20,596	29,231
Total	\$89,017	\$198,491

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. 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.

**MADISON TOWNSHIP  
BUTLER COUNTY**

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

**7. 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 insurance 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 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, 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. 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 claim 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, which is the latest information available.

<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>\$13,759,409</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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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Madison Township  
Butler County  
1504 Middletown-Eaton Road  
Middletown, Ohio 45042

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40409-001 through 2001-40409-003.

**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. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 26, 2002.

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

July 26, 2002

**MADISON TOWNSHIP  
BUTLER COUNTY**

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

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

**FINDING NUMBER 2001-40409-001**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Contrary to the above requirements, the Township failed to obtain the certification of the availability of funds from the Clerk prior to the invoice date for 65% of expenditures tested, and neither of the two exceptions provided above were utilized.

**FINDING NUMBER 2001-40409-002**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.09(F), requires the Township to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Township appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Rev. Code, Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk did not record the Community Development Block Grant (CDBG) and Capital Improvement Project grant (CIP) disbursed to the Township under the Butler County Community Development program, nor was this grant money included in the appropriations by the Board of Trustees for fiscal year 2001 and 2000. However, the receipts and disbursements for the fiscal year 2001 CIP grant of \$4,601, and the fiscal year 2000 CDBG and CIP grants of \$163,719 and \$54,503 respectively, have been recorded on the audited financial statements.

**FINDING NUMBER 2001-40409-003**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund shall not exceed the total estimated revenue as certified by the budget commission. At December 31, 2001, the following funds had appropriations which exceeded estimated revenue:

<b>Fund</b>	<b>Estimated Revenue</b>	<b>Appropriations</b>	<b>Variance</b>
Road & Bridge	\$171,541	\$174,097	(\$2,556)
Permissive Motor Vehicle License Tax	\$60,921	75,976	(15,055)
Lighting Assessment	\$3,477	3,517	(40)

Failure to properly monitor appropriations and estimated resources could result in overspending of funds and negative fund cash balances. The Township should adopt procedures to monitor that the total appropriations from each fund do not exceed the official or amended estimate of resources.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**MADISON TOWNSHIP**

**BUTLER 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 20, 2002**