



**Auditor of State  
Betty Montgomery**



**MADISON TOWNSHIP  
PICKAWAY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Madison Township  
Pickaway County  
9716 Marcy Road  
Ashville, Ohio 43103

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2002 and December 31, 2001. 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison Township, Pickaway County as of December 31, 2002 and December 31, 2001, 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 June 12, 2003 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.

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This report is intended solely for the information and use by 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

June 12, 2003

**MADISON TOWNSHIP  
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$32,043	\$111,863	\$143,906
Intergovernmental	46,563	71,491	118,054
Licenses, Permits, and Fees	2,818	0	2,818
Earnings on Investments	3,670	2,230	5,900
Other Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Receipts	<u>85,094</u>	<u>185,584</u>	<u>270,678</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	86,741	0	86,741
Public Safety	0	72,598	72,598
Public Works	0	95,049	95,049
Health	<u>4,362</u>	<u>0</u>	<u>4,362</u>
Total Cash Disbursements	91,103	167,647	258,750
Total Receipts Over/(Under) Disbursements	(6,009)	17,937	11,928
Fund Cash Balances, January 1	<u>181,181</u>	<u>163,035</u>	<u>344,216</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$175,172</u></b>	<b><u>\$180,972</u></b>	<b><u>\$356,144</u></b>

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

**MADISON TOWNSHIP  
PICKAWAY 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$32,840	\$114,221	\$147,061
Intergovernmental	56,795	77,177	133,972
Licenses, Permits, and Fees	2,812	0	2,812
Earnings on Investments	4,830	2,724	7,554
Other Revenue	911	226	1,137
	<u>98,188</u>	<u>194,348</u>	<u>292,536</u>
<b>Total Cash Receipts</b>			
	<u>98,188</u>	<u>194,348</u>	<u>292,536</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	81,853	0	81,853
Public Safety	0	74,818	74,818
Public Works	0	68,996	68,996
Health	4,195	0	4,195
	<u>86,048</u>	<u>143,814</u>	<u>229,862</u>
<b>Total Cash Disbursements</b>			
	<u>86,048</u>	<u>143,814</u>	<u>229,862</u>
Total Receipts Over/(Under) Disbursements	12,140	50,534	62,674
Fund Cash Balances, January 1	<u>169,041</u>	<u>112,501</u>	<u>281,542</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$181,181</b></u>	<u><b>\$163,035</b></u>	<u><b>\$344,216</b></u>

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



**MADISON TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Madison Township, Pickaway 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, fire protection and emergency medical services. The Township contracts with the Bloom Township, Fairfield County and Harrison Township, Pickaway County to provide fire services and ambulance services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. 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. 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 and Bridge Fund* - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

*Fire District Fund* - This fund receives property tax money for providing fire services to the Township.

**MADISON TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, 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.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts). 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. The Township did not use the encumbrance method of accounting as required by Ohio Rev. Code Section 5705.41(D).

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH**

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

	<u>2002</u>	<u>2001</u>
Demand deposits	\$356,144	\$344,216

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

**MADISON TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,300	\$85,094	\$18,794
Special Revenue	178,100	185,584	7,484
Total	\$244,400	\$270,678	\$26,278

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$260,008	\$91,103	\$168,905
Special Revenue	328,609	167,647	160,962
Total	\$588,617	\$258,750	\$329,867

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,500	\$98,188	\$32,688
Special Revenue	174,200	194,348	20,148
Total	\$239,700	\$292,536	\$52,836

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,420	\$86,048	\$154,372
Special Revenue	280,821	143,814	137,007
Total	\$521,241	\$229,862	\$291,379

Expenditures exceeded appropriation authority by the following amounts in the following funds at December 31, 2002: Gasoline Tax Fund, \$ 9,542; Road and Bridge Fund, \$1,606.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding 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.

**MADISON TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(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. RETIREMENT SYSTEMS**

The Township's part-time 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 2002 and 2001, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**Commercial Insurance**

For FY2001, the Township had obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public officials liability;
- Vehicles; and
- Errors and omissions.

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

**MADISON TOWNSHIP  
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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 \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

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

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	9,197,512	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

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## **Auditor of State Betty Montgomery**

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

Madison Township  
Pickaway County  
9716 Marcy Road  
Ashville, Ohio 43103

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated June 12, 2003. 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 2002-001 through 2002--004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 12, 2003.

#### **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 June 12, 2003.

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Madison Township  
Pickaway County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

June 12, 2003



**MADISON TOWNSHIP  
PICKAWAY COUNTY**

**SCHEDULE OF FINDING  
DECEMBER 31, 2002 AND 2001**

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

<b>FINDING NUMBER</b>	<b>2002-001</b>
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**FINDING REPAID UNDER AUDIT  
Township Clerk Compensation**

Ohio Rev. Code Section 507.09 establishes the compensation rate for Township Clerks based on the budget passed by the governing body for that specific year. The Township's budget for the fiscal year ended December 31, 2002 was within the \$500,001 to \$750,000 range. In this range, the Clerk was to be paid \$12,381. Township records document compensation for the clerk for this period totaled \$12,831.

Upon notification, Connie Swoyer, Clerk, repaid the \$450 on June 12, 2003.

<b>FINDING NUMBER</b>	<b>2002-002</b>
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**Competitive Bidding Procedures for Contracts**

Ohio Rev. Code Section 5575.01 states that competitive bidding is required for contracts for the maintenance or repair of roads, where the amount involved exceeds \$15,000. In each case, the Board must advertise once, no later than two weeks prior to the letting of the contract, in a newspaper published in the county of general circulation in the Township. The award must be to the lowest responsible bidder.

In 2002, Roesse Brothers Paving completed a road project for the Township at a total cost of \$38,673. The company was paid in three separate payments of \$14,990 in September; \$12,635 in October and \$11,048 in November. The project was not competitively bid as required by Ohio Rev. Code Section 5575.01.

We recommend the Township comply with Ohio Rev. Code Section 5575.01.

<b>FINDING NUMBER</b>	<b>2002-003</b>
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**Fiscal Officer Certification**

Ohio Rev. Code Section 5705.41(D) stipulates 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. This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate – 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 Township 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, is such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without affirmation of the Board. As of April 7, 2003, this amount increased to \$3,000.

**MADISON TONNSHIP  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>FINDING NUMBER ( Continued)</b>	<b>2002-003</b>
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**Fiscal Officer Certification ( Continued)**

None of the expenditures examined were not certified at the time of the purchase commitment. There was no indication the Township used the above provision to certify such expenditures through the then and now process. The Board approved bills in its minutes, however absent of the then and now certificate and appropriate Board resolution for items in excess of \$1,000. Such general approval of bills does not satisfy the then and now exceptions noted within this section.

We recommend that the Township certify expenditures at the time that a purchase commitment is made or use the "then and now" exception allowable under this section.

<b>FINDING NUMBER</b>	<b>2002-004</b>
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**Expenditures Exceeding Appropriations**

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

Expenditures exceeded appropriations in the following funds at the legal level of control;

Fund , Object	Appropriation	Expenditures	Amount Over
Gasoline-Other Expenses	\$55,864	\$65,406	\$9,542
Road & Bridge-Salaries	10,000	11,606	1,606

Expenditures exceeding appropriations may result in deficit fund balances. We recommend the Clerk assure funds are available and lawfully appropriated prior to an expenditure or purchase commitment being made.

**MADISON TOWNSHIP  
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR ENDING DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2000-40665-001	Fiscal Officer Certification	No	Not corrected. Repeated as finding number 2002-003





**Auditor of State  
Betty Montgomery**

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**MADISON TOWNSHIP**

**PICKAWAY 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  
SEPTEMBER 16, 2003**