

**MADISON TOWNSHIP**  
**AUDIT REPORT**  
**JANUARY 1, 2005 – DECEMBER 31, 2006**

*Wolfe, Wilson, & Phillips, Inc.*  
*37 South Seventh Street*  
*Zanesville, Ohio 43701*





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Madison Township  
13833 Mt. Perry Rd NE  
Mt. Perry, Ohio 43760

We have reviewed the *Independent Auditors' Report* of Madison Township, Perry County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2005 through December 31, 2006. 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 Auditors' 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 Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Madison Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 18, 2007

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**MADISON TOWNSHIP  
PERRY COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Madison Township  
Perry County  
13833 Mt. Perry Road  
Mt. Perry, Ohio 43760

We have audited the accompanying financial statements of Madison Township, Perry County as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. 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 would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to 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 this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding 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 Madison Township's combined funds as of December 31, 2006 and 2005, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison Township, Perry County, as of December 31, 2006 and 2005, 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 require the Township to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2007, on our consideration of Madison Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and should be read in conjunction with this report in considering the results of our audit.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
February 23, 2007

**MADISON TOWNSHIP  
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 23,917	\$ 36,890	\$ 60,807
Intergovernmental	15,446	96,546	111,992
Earnings on Investments	98	182	280
Other Revenue	605	2,876	3,481
<b>Total Cash Receipts</b>	<u>40,066</u>	<u>136,494</u>	<u>176,560</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	26,061	39,255	65,316
Public Works	2,542	74,771	77,313
Capital Outlay	18,729	26,500	45,229
<b>Total Cash Disbursements</b>	<u>47,332</u>	<u>140,526</u>	<u>187,858</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	(7,266)	(4,032)	(11,298)
Fund Cash Balances, January 1	<u>27,255</u>	<u>79,236</u>	<u>106,491</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 19,989</u></u>	<u><u>\$ 75,204</u></u>	<u><u>\$ 95,193</u></u>

See notes to financial statements.

**MADISON TOWNSHIP  
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 18,355	\$ 34,582	\$ 52,937
Intergovernmental	15,467	91,761	107,228
Earnings on Investments	54	96	150
Other Revenue	18,385	17,628	36,013
<b>Total Cash Receipts</b>	<u>52,261</u>	<u>144,067</u>	<u>196,328</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	28,833	39,518	68,351
Public Works	2,166	59,689	61,855
Capital Outlay	18,139	23,192	41,331
<b>Total Cash Disbursements</b>	<u>49,138</u>	<u>122,399</u>	<u>171,537</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	3,123	21,668	24,791
Fund Cash Balances, January 1	<u>24,132</u>	<u>57,568</u>	<u>81,700</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 27,255</u></u>	<u><u>\$ 79,236</u></u>	<u><u>\$ 106,491</u></u>

See notes to financial statements.

**MADISON TOWNSHIP  
PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Township of Madison, Perry 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 Township is directed by a publicly-elected three member Board. The Township provides general governmental services, including road and bridge maintenance, ambulance services and fire protection.

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 cash 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 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**

All cash is maintained in an interest-bearing checking account.

**D. Fund Accounting**

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

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**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:

**MADISON TOWNSHIP  
PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**D. Fund Accounting (Continued)**

**Special Revenue Funds (Continued)**

**Gasoline Tax Fund** – This fund receives gasoline tax receipts for constructing, maintaining and repairing Township roads and bridges.

**Motor Vehicle License Tax Fund** – This fund receives motor vehicle license tax money for the construction, repair and maintenance of township roads.

**Fire Fund** – This fund receives property taxes to provide fire protection to Township residents.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**Estimated Resources**

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

**Encumbrances**

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

A Summary of 2006 and 2005 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 in 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.

**MADISON TOWNSHIP  
PERRY COUNTY  
NOTES TO 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>2006</u>	<u>2005</u>
Demand Deposits	<u>\$ 95,193</u>	<u>\$ 106,491</u>

**Deposits:**

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

**3. Budgetary Activity**

Budgetary activity for the years ended December 31, 2006 and 2005 was as follows:

**2006 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 32,390	\$ 40,066	\$ 7,676
Special Revenue	<u>116,712</u>	<u>136,494</u>	<u>19,782</u>
Total	<u>\$ 149,102</u>	<u>\$ 176,560</u>	<u>\$ 27,458</u>

**2006 Budgeted vs. Actual Budgetary Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 59,645	\$ 47,332	\$ 12,313
Special Revenue	<u>195,948</u>	<u>140,526</u>	<u>55,422</u>
Total	<u>\$ 255,593</u>	<u>\$ 187,858</u>	<u>\$ 67,735</u>

**MADISON TOWNSHIP  
PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**3. Budgetary Activity (continued)**

**2005 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 48,715	\$ 52,261	\$ 3,546
Special Revenue	<u>124,035</u>	<u>144,067</u>	<u>20,032</u>
Total	<u>\$ 172,750</u>	<u>\$ 196,328</u>	<u>\$ 23,578</u>

**2005 Budgeted vs. Actual Budgetary Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 72,846	\$ 49,138	\$ 23,708
Special Revenue	<u>181,604</u>	<u>122,399</u>	<u>59,205</u>
Total	<u>\$ 254,450</u>	<u>\$ 171,537</u>	<u>\$ 82,913</u>

**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 payments, 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 June 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 Trustees, Clerk and other employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement health care, 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 2006 and 2005, members of PERS contributed 9.0% and 8.5% of their gross salaries, respectively. The Township contributed an amount equal to 13.70% and 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**MADISON TOWNSHIP  
PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**6. Risk Management**

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 occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses, exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2005, the latest information available.

Casualty Coverage	2005	2004
Assets	\$ 30,485,638	\$ 30,687,203
Liabilities	(12,344,576)	(13,640,962)
Retained Earnings	<u>\$ 18,141,062</u>	<u>\$ 17,046,241</u>
Property Coverage	2005	2004
Assets	\$ 9,177,796	\$ 7,799,073
Liabilities	(1,406,031)	(753,906)
Retained Earnings	<u>\$ 7,771,765</u>	<u>\$ 7,045,167</u>

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENT PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

Madison Township  
Perry County  
13833 Mt. Perry Road  
Mt. Perry, Ohio 43760

We have audited the financial statements of Madison Township as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated February 23, 2007, 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 audit, we considered Madison Township 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 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 that might be material weakness. 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. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated February 23, 2007.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Madison Township's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to the management of Madison Township in a separate letter dated February 23, 2007.

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

*Wolfe, Wilson, & Phillips, Inc.*  
Zanesville, Ohio  
February 23, 2007





**Mary Taylor, CPA**  
Auditor of State

**MADISON TOWNSHIP**

**PERRY 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  
MAY 10, 2007**