



***MADISON TOWNSHIP, FAYETTE COUNTY***

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**Regular Audit**

**For the Years Ended  
December 31, 2008 and 2007**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Madison Township  
8250 Rockwell Road  
Mt. Sterling, Ohio 43143

We have reviewed the *Independent Auditor's Report* of Madison Township, Fayette County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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 is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 1, 2009

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**MADISON TOWNSHIP, FAYETTE COUNTY**  
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*For the Years Ended December 31, 2008 and 2007*

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## Independent Auditor's Report

Board of Trustees  
Madison Township, Fayette County  
2690 SR 753 SE  
Washington Court House, OH 43160

We have audited the accompanying financial statements of Madison Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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 of America. 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 2, the Township 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, 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 years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require the Township to present entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Board of Trustees  
Madison Township, Fayette County  
Independent Auditor's Report

Also, in our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the combined fund cash balances of the Township, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. 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 April 16, 2009 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. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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 when considering the results of our audit.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

April 16, 2009

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2008**

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
<b><u>Cash Receipts:</u></b>				
Local Taxes	\$36,535	\$52,148	\$0	\$88,683
Intergovernmental	41,949	104,327	0	146,276
Special Assessments	0	2,286	0	2,286
Licenses, Permits, and Fees	0	4,200	0	4,200
Earnings on Investments	698	542	0	1,240
Other Revenue	725	0	0	725
Total Cash Receipts	<u>79,907</u>	<u>163,503</u>	<u>0</u>	<u>243,410</u>
<b><u>Cash Disbursements:</u></b>				
<i>Current:</i>				
General Government	96,387	0	0	96,387
Public Safety	0	51,697	0	51,697
Public Works	0	15,492	0	15,492
Health	2,490	18,988	0	21,478
Capital Outlay	1,270	10,221	0	11,491
Total Cash Disbursements	<u>100,147</u>	<u>96,398</u>	<u>0</u>	<u>196,545</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(20,240)	67,105	0	46,865
<b><u>Other Financing Sources (Uses):</u></b>				
Transfers In	0	41,250	0	41,250
Transfers Out	(41,250)	0	0	(41,250)
Other Financing Sources	10	3,600	0	3,610
Total Other Financing Sources (Uses)	<u>(41,240)</u>	<u>44,850</u>	<u>0</u>	<u>3,610</u>
Excess of Cash Receipts and Other Financing Sources Over /(Under) Cash Disbursements and Other Uses	(61,480)	111,955	0	50,475
Fund Cash Balances, January 1	<u>182,646</u>	<u>99,619</u>	<u>4</u>	<u>282,269</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$121,166</u></u>	<u><u>\$211,574</u></u>	<u><u>\$4</u></u>	<u><u>\$332,744</u></u>

See accompanying notes to the financial statements.



**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2007**

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	
<b><u>Cash Receipts:</u></b>				
Local Taxes	\$37,469	\$49,004	\$0	\$86,473
Intergovernmental	96,602	93,874	0	190,476
Special Assessments	0	3,018	0	3,018
Licenses, Permits, and Fees	0	4,150	0	4,150
Earnings on Investments	1,019	913	0	1,932
Other Revenue	200	0	0	200
<b>Total Cash Receipts</b>	<b>135,290</b>	<b>150,959</b>	<b>0</b>	<b>286,249</b>
<b><u>Cash Disbursements:</u></b>				
<i>Current:</i>				
General Government	65,807	0	0	65,807
Public Safety	0	38,982	0	38,982
Public Works	0	24,016	0	24,016
Health	2,329	23,661	0	25,990
Capital Outlay	9,771	83,231	0	93,002
<b>Total Cash Disbursements</b>	<b>77,907</b>	<b>169,890</b>	<b>0</b>	<b>247,797</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>57,383</b>	<b>(18,931)</b>	<b>0</b>	<b>38,452</b>
<b><u>Other Financing Sources:</u></b>				
Other Financing Sources	79	0	0	79
<b>Total Other Financing Sources</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>79</b>
<b>Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements</b>	<b>57,462</b>	<b>(18,931)</b>	<b>0</b>	<b>38,531</b>
<b>Fund Cash Balances, January 1</b>	<b>125,184</b>	<b>118,550</b>	<b>4</b>	<b>243,738</b>
<b>Fund Cash Balances, December 31</b>	<b>\$182,646</b>	<b>\$99,619</b>	<b>\$4</b>	<b>\$282,269</b>

See accompanying notes to the financial statements.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

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**Note 1 – Reporting Entity**

Madison Township, Fayette County, Ohio (the Township), 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 of Trustees. The Township also has an elected Township Fiscal Officer.

The Township provides general government services, maintenance of Township roads and bridges, and maintenance of cemeteries.

The Township contracts with the BPM Joint Fire District and the Tri-County Joint Fire District to provide fire services.

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

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The Township's 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. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**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:

**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.

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

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

*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 to pay for fire and ambulance services.

*Cemetery Fund* – This fund receives property tax money to provide upkeep of the Township's cemeteries.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Budgetary Process**

The Ohio Revised Code requires that each Township fund 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 Fayette County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

**Estimated Resources:** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Fayette County Budget Commission must also certify estimated resources.

**Encumbrances:** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the following year.

A summary of 2008 and 2007 budgetary activity appears in Note 4.

**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.

**Note 3 – Cash and Investments**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Township had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2008	December 31, 2007
Demand Deposits	<u>\$332,744</u>	<u>\$282,269</u>

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

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

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**Note 4 – Budgetary Basis of Accounting**

The Township’s budgetary activity for the years ending December 31, 2008 and December 31, 2007 was as follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$78,840	\$79,917	\$1,077
Special Revenue	158,023	208,353	50,330
<i>Total</i>	<u>\$236,863</u>	<u>\$288,270</u>	<u>\$51,407</u>

2008 Budgeted vs. Actual Budgetary Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$242,157	\$141,397	\$100,760
Special Revenue	251,425	96,398	155,027
<i>Total</i>	<u>\$493,582</u>	<u>\$237,795</u>	<u>\$255,787</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$135,455	\$135,369	(\$86)
Special Revenue	156,034	150,959	(5,075)
<i>Total</i>	<u>\$291,489</u>	<u>\$286,328</u>	<u>(\$5,161)</u>

A reduced amended certificate should have been obtained in the Fire Fund as required by ORC Section 5705.36. Although the actual receipts in the General Fund were also less than budgetary estimates, appropriations were less than actual resources and a reduced amended certificate was not required.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

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**Note 4 – Budgetary Basis of Accounting** (continued)

2007 Budgeted vs. Actual Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$169,816	\$77,907	\$91,909
Special Revenue	265,708	150,959	114,749
<i>Total</i>	\$435,524	\$228,866	\$206,658

**Note 5– Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property is being phased out. For 2007, tangible personal property tax was assessed at 12.50 percent for property, including inventory. This percentage was reduced to 6.25 percent for 2008 and will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2008 and 2007, was \$5.15 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 and 2007 property tax receipts were based are as follows:

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

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**Note 5 – Property Taxes** (continued)

	2008	2007
Real Property		
Residential/Agricultural	\$18,328,250	\$18,163,510
Personal Property	334,030	334,030
Public Utility	686,680	2,163,500
Total Assessed Value	\$19,348,960	\$20,661,040

**Note 6 – Risk Management**

**Risk Pool Membership**

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

Casualty Coverage

For an occurrence prior to January 1, 2006, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in additional coverage 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 or \$3,000,000 as noted above.

Property Coverage

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 in 2006 or \$100,000 and \$300,000 in 2007. Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

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**Note 6 – Risk Management** (continued)

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with the generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (latest information available):

<u>Combined Coverage</u>	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained Earnings	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.8 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$8,850. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

The Township's required contributions to OTARMA for the years ended December 31, 2008, 2007, and 2006 were \$5,148, \$5,012, and \$6,142, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Retirement Systems**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS Administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

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**Note 7 – Retirement Systems** (continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.10 percent of their annual covered salary; members in public safety contributed 10.1 percent. The Township's contribution rate for pension benefits for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9.75 percent. The Township's contribution rate for pension benefits for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 17.17 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$5,279, \$5,428, and \$5,917, respectively. The full amount has been contributed for 2008, 2007 and 2006.

**Note 8 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 local government employer contribution rate was 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement); 7.0 percent of covered payroll was the portion that was used to fund health care.



**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2008 and 2007**

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**Note 8 - Postemployment Benefits** (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007 include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 4.0 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 6.30 percent annually for the next eight years and 4.00 percent annually after seven years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans for December 31, 2008 and December 31, 2007 were 363,503 and 364,076, respectively. Actual employer contributions for 2008 and 2007 which were used to fund postemployment benefits were \$5,279 and \$3,575, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17.0 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 9 – Related Party Transactions**

The Township does business with a Trustee's business (D. D. Excavating). The Township hires D. D. Excavating to open and close cemetery graves. The Trustee does not vote on payment, does not sign checks for payment, and refrains from discussions concerning the same issues.

**Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards**

Board of Trustees  
Madison Township, Fayette County  
2690 SR 753 SE  
Washington Court House, OH 43160

We have audited the accompanying financial statements of Madison Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 16, 2009 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 of America.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Board of Trustees  
Madison Township, Fayette County  
Independent Accountant's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Required by  
Government Auditing Standards

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe finding number 2008-001 is also a material weakness.

### **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 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 or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-002 and 2008-003.

We also noted certain additional matters that we have reported to management of the Township in a separate letter dated April 16, 2009.

The Township's response to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

April 16, 2009

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2008 and 2007**

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

*Finding Number 2008-001*

**Financial Record Keeping - Significant Deficiency/Material Weakness**

Ohio Administrative Code (OAC) Section 117-2-02(A) directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record, and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC Section 117-2-02(D) allows the records to be maintained manually or in a computerized format and requires the following: (1) Cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction; (2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number, and other information necessary to record the transaction on this ledger, and; (3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

Several receipt transactions were incorrectly posted to the proper fund and/or account in both 2008 and 2007. This did not allow the Fiscal Officer to accurately reflect the receipt transactions of the Township.

The fact that the posting errors resulting in reclassification and adjusting entries occurred, indicates a significant deficiency in the internal controls over financial record keeping and reporting and resulted in the inaccurate reflection of the receipts of the Township for 2008 and 2007.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and the description of the accounts and maintain the receipt ledger in the manner prescribed therein.

**Officials' Response**

After reviewing the information and discussing the posting errors associated with inter-fund transfers, I agree that they should not have been posted as capital outlays as they were entered. We will correct this in the future and will post these monies into inter-fund transfers, per the language in the revenue code descriptions.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2008 and 2007**

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

*Finding Number 2008-002*

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Section 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**1. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure was otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**2. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** - The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During testing it was noted that 100% of transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2008 and 2007**

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

*Finding Number 2008-002 (continued)*

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend that no orders involving the expenditure of money be made unless the Fiscal Officer has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

**Officials' Response**

The Township is striving to correct this for future periods.

*Finding Number 2008-003*

**Noncompliance Citation**

ORC Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This Section is amplified by Ohio Attorney General Opinion No. 2004-036.

In summary, Ohio Rev. Code Section 505.24(C) requires the following:

**(1) Trustees receiving per diem compensation:** The trustees must resolve a method by which each trustee shall periodically notify the fiscal officer of the number of days spent on township services and the kind of services rendered on those days. The per diem compensation shall be paid from the General Fund or from other township funds in proportion to the kinds of services rendered, as documented. (For example, the township could charge trustee time spent on road repairs to the road & bridge fund.)

**(2) Trustees receiving compensation by annual salary:** By resolution, Ohio Rev. Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, Ohio Rev. Code Section 505.24(C) does not prescribe a "documentation of time spent" requirement.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2008 and 2007**

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

***Finding Number 2008-003 (continued)***

However, for salaries not paid from the General Fund effective October 19, 2004, OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Per the above, trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) There is no one method for documenting time and the kinds of services rendered.

Prior to the issuance of the aforementioned Attorney General Opinion, regarding (2) above, the AOS accepted resolutions that specified percentages of salaries to allocate to various funds, as complying with ORC 505.24(C). This Attorney General Opinion alters that conclusion. Resolutions to pay trustees by salary should now specify that a township will allocate salaries based on documentation the trustees submit, not based on percentages a resolution specifies.

For example, subsequent to the Attorney General Opinion, it is not acceptable for a township to resolve that they will “charge 50% of trustee salaries and benefits to the general fund and 50% of this compensation to the road and bridge fund.”

Contrary to the above, the Board of Trustees were paid out of the General Fund, Gasoline Tax Fund and the Cemetery Fund as per their yearly resolution. Documentation of time spent was not prepared and kept on file.

We recommend that the Township Board of Trustees adopt a resolution to pay trustees by salary or per diem. We further recommend to the Board of Trustees that they follow the procedures outlined in (1) and (2) above.

**Officials’ Response**

The Township is striving to correct this for future periods.

**MADISON TOWNSHIP, FAYETTE COUNTY**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2008 and 2007**

<b>Description</b>	<b>Status</b>	<b>Comments</b>
<i>Government Auditing Standards:</i>		
1. Significant deficiency/noncompliance citation for prior certification of funds.	Not corrected	Reissued as a noncompliance citation, 2008-002
2. Significant deficiency/noncompliance citation for expenditures exceeding appropriations.	Corrected	N/A
3. Significant deficiency/noncompliance citation for posting money into a fund for which it was not specified.	Not corrected	Reissued as a significant deficiency/material weakness, 2008-001





Mary Taylor, CPA  
Auditor of State

**MADISON TOWNSHIP**

**FAYETTE COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 16, 2009**