



**MADISON TOWNSHIP
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

MADISON TOWNSHIP
WILLIAMS COUNTY

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Mary Taylor, CPA
Auditor of State

Madison Township
Williams County
14605 County Road O
Pioneer, Ohio 43554-9737

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 15, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Madison Township
Williams County
14605 County Road O
Pioneer, Ohio 43554-9737

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Williams County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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 (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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements.

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The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison Township, Williams County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 our report dated July 15, 2010, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did 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*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 15, 2010

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$21,595	\$89,164	\$110,759
Charges for Services	500		500
Intergovernmental	21,983	122,384	144,367
Earnings on Investments	128	97	225
Miscellaneous	315	3,775	4,090
	<u>44,521</u>	<u>215,420</u>	<u>259,941</u>
Cash Disbursements:			
Current:			
General Government	27,678	11,207	38,885
Public Safety		26,594	26,594
Public Works	6,311	57,231	63,542
Health	5,400		5,400
Human Services		1,488	1,488
Capital Outlay	17,511	14,266	31,777
Debt Service:			
Redemption of Principal	17,289	50,153	67,442
Interest and Other Fiscal Charges	409	4,148	4,557
	<u>74,598</u>	<u>165,087</u>	<u>239,685</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(30,077)</u>	<u>50,333</u>	<u>20,256</u>
Other Financing Cash Receipts			
Other Debt Proceeds	14,681		14,681
Sale of Fixed Assets	1,000		1,000
	<u>15,681</u>		<u>15,681</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(14,396)	50,333	35,937
Fund Cash Balances, January 1	<u>48,954</u>	<u>81,071</u>	<u>130,025</u>
Fund Cash Balances, December 31	<u>\$34,558</u>	<u>\$131,404</u>	<u>\$165,962</u>

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

**MADISON TOWNSHIP
WILLIAMS 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**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$21,748	\$99,629	\$121,377
Intergovernmental	77,993	127,935	205,928
Earnings on Investments	177	166	343
Miscellaneous	275	3,252	3,527
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	100,193	230,982	331,175
Cash Disbursements:			
Current:			
General Government	32,947	11,458	44,405
Public Safety		27,378	27,378
Public Works	10,960	112,421	123,381
Health	5,243		5,243
Human Services		2,230	2,230
Capital Outlay	13,414	14,952	28,366
Debt Service:			
Redemption of Principal		50,600	50,600
Interest and Other Fiscal Charges		6,616	6,616
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	62,564	225,655	288,219
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>
	37,629	5,327	42,956
Other Financing Cash Receipts			
Other Financing Sources	63		63
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	37,692	5,327	43,019
Fund Cash Balances, January 1	11,262	75,744	87,006
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$48,954	\$81,071	\$130,025

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

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison Township, Williams County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Special Levy Fund – This fund receives property tax money for providing fire protection services and maintaining fire apparatuses and to purchase a fire truck for the Township.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. Equity in Pooled Deposits (Continued)

	2009	2008
Demand deposits	\$165,962	\$130,025

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,177	\$60,202	(\$1,975)
Special Revenue	215,950	215,420	(530)
Total	\$278,127	\$275,622	(\$2,505)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$111,131	\$74,598	\$36,533
Special Revenue	296,962	165,087	131,875
Total	\$408,093	\$239,685	\$168,408

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$99,333	\$100,256	\$923
Special Revenue	220,522	230,982	10,460
Total	\$319,855	\$331,238	\$11,383

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,438	\$62,564	\$52,874
Special Revenue	291,366	225,655	65,711
Total	\$406,804	\$288,219	\$118,585

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax

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

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

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

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

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Fire Truck Loan	\$62,310	4%
Dump Truck Loan	7,481	5.85%
Total	\$69,791	

The Township acquired three separate short term loans in 2006 totaling \$346,425. The proceeds were used to acquire and equip a fire truck. The Township used proceeds from a Fire levy to retire a portion of these loans. The remaining amounts were rolled into one long term loan amount of \$266,785. The loan which matures on August 31, 2010 is secured by the fire truck and attached equipment. Repayment will be made from the proceeds of a tax levied for Fire protection.

The Township obtained a 2 year loan in the amount of \$14,900 from a local bank which was used to purchase a dump truck. This will be repaid from the General Fund.

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

	Principal	Interest
Year ending December 31: 2010	\$69,791	\$2,209

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

8. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Madison Township
Williams County
14605 County Road O
Pioneer, Ohio 43554-9737

To the Board of Trustees:

We have audited the financial statements of Madison Township, Williams County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 15, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 15, 2010.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 15, 2010

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Finding for Recovery Repaid Under Audit

The Maintenance/Highway Worker Agreement (the "Agreement"), by and between Mr. Merrill B. Frame, III and the Madison Township Trustees, allows Mr. Frame to either convert his unused vacation and/or sick leave time annually at his regular pay, or to carry forward vacation and/or sick leave time, up to a maximum of 15 weeks (75 days).

The Township's records show that Mr. Frame had accumulated balances of 107 days of vacation time and 98 days of sick time as of 2007. According to the Township's records, Mr. Frame used 5 days of vacation and 0 days of sick leave time during 2007.

On July 28, 2008, Mr. Frame was paid \$5,466 for 55 days of unused vacation (32) and sick (23) leave time. These warrants were signed by the Fiscal Officer. Subsequent to being paid for such unused vacation and sick leave time on July 28, 2008, the Township's records show that Mr. Frame continued to maintain a balance of 75 days of vacation and 75 days of sick time.

If Mr. Frame wished to maintain a balance of 75 days of vacation and 75 days of sick leave time for 2008, Mr. Frame should have only been paid a total of \$2,472 on July 28, 2008 for the 25 hours of unused vacation and sick time he did not use during 2007. As such, the payment to Mr. Frame on July 28, 2008 resulted in an overpayment of \$2,994.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Merrill Frame in the amount of \$2,994, and in favor of the Gasoline Tax Fund of Madison Township.

A check dated July 14, 2010 for \$2,994 was received from Allen Clark to repay the amount of this finding for recovery.

FINDING NUMBER 2009-002

Material Weakness - Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the 2009 financial statements that required audit adjustments:

1. In the General Fund, loan proceeds in the amount of \$14,681 were posted as Other Financing Sources instead of Other Debt Proceeds. The Sale of a truck in the amount of \$1,000 was posted as Other Financing Sources instead of Sale of Fixed Assets, and Charges for Cemetery Burials in the amount of \$500 were posted as Other Financing Sources instead of Charges for Services.
2. Tax loss reimbursement monies were posted as Property and Other Local Taxes instead of Intergovernmental Revenue in the Road and Bridge Fund (\$1,759), the Fire Fund (\$6,045), and the Permissive Motor Vehicle License Tax Fund (\$1,932).

Sound financial reporting is the responsibility of the financial officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the audit committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Township Handbook's chart of accounts to ensure all accounts are being properly posted to the financial statements.

Officials Response:

We did not receive a response from Officials to the findings reported above.

**MADISON TOWNSHIP
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	5705.41(D),improper certification of expenditures	Yes	
2007-002	Approved appropriations were not properly posted	No	Reissued in the management letter
2007-003	Trustees Salaries paid from special funds lacked sufficient documentation	Yes	
2007-004	Certain errors resulted in adjustments	No	Reissued as finding 2009-002 in this report



Mary Taylor, CPA
Auditor of State

MADISON TOWNSHIP

WILLIAMS 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
JULY 29, 2010