



**MADISON TOWNSHIP  
CLARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**



**Auditor of State  
Betty Montgomery**



**MADISON TOWNSHIP  
CLARK COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Madison Township  
Clark County  
P.O. Box V  
35 S. Chillicothe Street  
South Charleston, Ohio 45368

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Township, Clark County, (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and each major special revenue funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 11, 2006

**MADISON TOWNSHIP  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of Madison Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- The Township's general receipts are primarily property taxes. These receipts represent respectively, 39.9 percent of the total cash received for governmental activities during the year.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**MADISON TOWNSHIP  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds include General Fund, Gasoline Tax Fund, Fire District Fund, and Emergency Medical Transport Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



**MADISON TOWNSHIP  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

**(Table 1)**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$315,079	\$236,317
Total Assets	<u>315,079</u>	<u>236,317</u>
<b>Net Assets</b>		
Restricted for:		
Debt Service	26,000	
Capital Outlay		
Other Purposes	128,798	106,173
Unrestricted	<u>160,281</u>	<u>130,144</u>
Total Net Assets	<u>\$315,079</u>	<u>\$236,317</u>

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 2)**  
**Changes in Net Assets**

	<b>Governmental Activities 2005</b>
<b>Receipts:</b>	
<b>Program Receipts:</b>	
Charges for Services and Sales	\$25,571
Operating Grants and Contributions	96,550
Total Program Receipts	<u>122,121</u>
<b>General Receipts:</b>	
Property and Other Local Taxes	149,469
Grants and Entitlements Not Restricted to Specific Programs	33,375
Other Debt Proceeds	40,023
Sale of Fixed Assets	14,100
Interest	5,946
Miscellaneous	9,324
Total General Receipts	<u>252,237</u>
Total Receipts	<u>374,358</u>

**MADISON TOWNSHIP  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**(Table 2)  
Changes in Net Assets  
(Continued)**

<b>Disbursements:</b>	
General Government	36,724
Public Safety	75,076
Public Works	96,562
Health	18,663
Human Services	2,980
Capital Outlay	6,051
Principal Retirement	48,227
Interest and Fiscal Charges	11,313
<b>Total Disbursements</b>	<b>295,596</b>
Change in Net Assets	78,762
Net Assets, January 1, 2005	236,317
<b>Net Assets, December 31, 2005</b>	<b>\$315,079</b>

Program receipts represent 32.6 percent of total receipts and are primarily comprised of operating grants and contributions. General receipts represent 67.4 percent of the Township's total receipts.

**Governmental Activities**

If you look at the Statement of Activities page, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2005</b>	<b>Net Cost of Services 2005</b>
General Government	\$36,724	(\$36,724)
Public Safety	75,076	(49,505)
Public Works	96,562	(12)
Health	18,663	(18,663)
Human Services	2,980	(2,980)
Basic Utilities		
Transportation		
Capital Outlay	6,051	(6,051)
Principal	48,227	(48,227)
Interest	11,313	(11,313)
<b>Total Expenses</b>	<b>\$295,596</b>	<b>(\$173,475)</b>

**MADISON TOWNSHIP  
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The dependence upon property tax receipts is apparent as many of township activities are supported through these general receipts.

**The Township's Funds**

Total township funds had receipts of \$374,358 and disbursements of \$295,596. The greatest change within township funds occurred within the General Fund. General Fund receipts were more than disbursements by \$30,137 indicating that the General Fund is in a surplus spending situation.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final disbursements were budgeted at \$567,569 while actual disbursements were \$295,596.

**Debt Administration**

At December 31, 2005, the Township's outstanding debt included \$95,000 in Fire Truck Acquisition bonds, a loan in the amount of \$34,021 for a 2004 Squad Purchase and \$77,752 in capital leases for facilities and equipment. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Madison Township Fiscal Officer, 228 West Columbus Road, P.O. Box V, South Charleston, Ohio 45368.

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**MADISON TOWNSHIP  
CLARK COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$315,079</u>
Total Assets	<u><u>315,079</u></u>
<b>Net Assets:</b>	
Restricted for:	
Debt Service	26,000
Other Purposes	128,798
Unrestricted	<u>160,281</u>
<b>Total Net Assets</b>	<u><u>\$315,079</u></u>

*See accompanying notes to the basic financial statements.*

**MADISON TOWNSHIP  
CLARK COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
			<u>Governmental Activities</u>
<b>Governmental Activities:</b>			
General Government	\$36,724		(\$36,724)
Public Safety	75,076	25,571	(49,505)
Public Works	96,562		(12)
Health	18,663		(18,663)
Human Services	2,980		(2,980)
Capital Outlay	6,051		(6,051)
Debt Service:			
Principal	48,227		(48,227)
Interest	11,313		(11,313)
<b>Total Governmental Activities</b>	<u>\$295,596</u>	<u>\$25,571</u>	<u>\$96,550</u>
			<u>(173,475)</u>
<b>General Receipts:</b>			
Property Taxes			149,469
Grants and Entitlements not Restricted to Specific Programs			33,375
Other Debt Proceeds			40,023
Sale of Fixed Assets			14,100
Earnings on Investments			5,946
Miscellaneous			9,324
<b>Total General Receipts</b>			<u>252,237</u>
<b>Change in Net Assets</b>			78,762
<b>Net Assets Beginning of Year</b>			<u>236,317</u>
<b>Net Assets End of Year</b>			<u>\$315,079</u>

See accompanying notes to the basic financial statements.

**MADISON TOWNSHIP  
CLARK COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Special Levy EMT</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$160,281	\$35,833	\$7,972	\$72,949	\$38,044	\$315,079
<b>Total Assets</b>	<u>160,281</u>	<u>35,833</u>	<u>7,972</u>	<u>72,949</u>	<u>38,044</u>	<u>315,079</u>
<b>Fund Balances:</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	160,281					160,281
Special Revenue Funds		35,833	7,972	72,949	12,044	128,798
Debt Service Fund					26,000	26,000
<b>Total Fund Balances</b>	<u>\$160,281</u>	<u>\$35,833</u>	<u>\$7,972</u>	<u>\$72,949</u>	<u>\$38,044</u>	<u>\$315,079</u>

*See accompanying notes to the basic financial statements.*

**MADISON TOWNSHIP  
CLARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
MODIFIED CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Special Levy EMT</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Receipts:</b>						
Property and Other Local Taxes	\$14,243		\$34,012	\$34,670	\$66,544	\$149,469
Charges for Services				25,571		25,571
Intergovernmental	23,539	80,767	4,429	2,491	18,699	129,925
Earnings on Investments	5,946					5,946
Miscellaneous	4,079		1,466	846	2,933	9,324
<b>Total Receipts</b>	<u>47,807</u>	<u>80,767</u>	<u>39,907</u>	<u>63,578</u>	<u>88,176</u>	<u>320,235</u>
<b>Disbursements:</b>						
Current:						
General Government	36,724					36,724
Public Safety			31,549	43,527		75,076
Public Works		63,537			33,025	96,562
Health					18,663	18,663
Human Services					2,980	2,980
Capital Outlay	67		2,084	3,221	679	6,051
Debt Service:						
Principal Retirement	4,083		24,082	20,062		48,227
Interest and Fiscal Charges	1,137		6,941	3,235		11,313
<b>Total Disbursements</b>	<u>42,011</u>	<u>63,537</u>	<u>64,656</u>	<u>70,045</u>	<u>55,347</u>	<u>295,596</u>
Receipts Over (Under) Disbursements	<u>5,796</u>	<u>17,230</u>	<u>(24,749)</u>	<u>(6,467)</u>	<u>32,829</u>	<u>24,639</u>
<b>Other Financing Sources:</b>						
Other Debt Proceeds	13,341		13,341	13,341		40,023
Sale of Fixed Assets	11,000			3,100		14,100
<b>Total Other Financing Sources</b>	<u>24,341</u>		<u>13,341</u>	<u>16,441</u>		<u>54,123</u>
Net Change in Fund Balances	30,137	17,230	(11,408)	9,974	32,829	78,762
Fund Balances Beginning of Year	<u>130,144</u>	<u>18,603</u>	<u>19,380</u>	<u>62,975</u>	<u>5,215</u>	<u>236,317</u>
<b>Fund Balances End of Year</b>	<u>\$160,281</u>	<u>\$35,833</u>	<u>\$7,972</u>	<u>\$72,949</u>	<u>\$38,044</u>	<u>\$315,079</u>

See accompanying notes to the basic financial statements.



**MADISON TOWNSHIP  
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>(Optional) Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$15,688	\$15,688	\$14,243	(\$1,445)
Intergovernmental	15,102	15,102	23,539	8,437
Earnings on Investments			5,946	5,946
Miscellaneous	14,902	14,902	4,079	(10,823)
	<u>45,692</u>	<u>45,692</u>	<u>47,807</u>	<u>2,115</u>
<b>Disbursements:</b>				
Current:				
General Government	49,790	49,205	36,724	12,481
Public Works		585		585
Capital Outlay	126,046	120,826	67	120,759
Debt Service:				
Principal Retirement		4,083	4,083	
Interest and Fiscal Charges		1,137	1,137	
	<u>175,836</u>	<u>175,836</u>	<u>42,011</u>	<u>133,825</u>
Receipts Over (Under) Disbursements	<u>(130,144)</u>	<u>(130,144)</u>	<u>5,796</u>	<u>135,940</u>
<b>Other Financing Sources (Uses):</b>				
Other Debt Proceeds			13,341	13,341
Sale of Fixed Assets			11,000	11,000
			<u>24,341</u>	<u>24,341</u>
Net Change in Fund Balance	(130,144)	(130,144)	30,137	160,281
Fund Balance Beginning of Year	130,144	130,144	130,144	
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$160,281</u></u>	<u><u>\$160,281</u></u>

*See accompanying notes to the basic financial statements.*

**MADISON TOWNSHIP  
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>(Optional) Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$50,300	\$50,300	\$80,767	\$30,467
Total receipts	<u>50,300</u>	<u>50,300</u>	<u>80,767</u>	<u>30,467</u>
<b>Disbursements:</b>				
Current:				
Public Works	68,903	68,903	63,537	5,366
Total Disbursements	<u>68,903</u>	<u>68,903</u>	<u>63,537</u>	<u>5,366</u>
Receipts Over (Under) Disbursements	<u>(18,603)</u>	<u>(18,603)</u>	<u>17,230</u>	<u>35,833</u>
Net Change in Fund Balance	(18,603)	(18,603)	17,230	35,833
Fund Balance Beginning of Year	<u>18,603</u>	<u>18,603</u>	<u>18,603</u>	
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$35,833</u></u>	<u><u>\$35,833</u></u>

*See accompanying notes to the basic financial statements.*

**MADISON TOWNSHIP  
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FIRE DISTRICT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			<b>(Optional) Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$65,984	\$65,984	\$34,012	(\$31,972)
Intergovernmental			4,429	4,429
Miscellaneous	13,226	13,226	1,466	(11,760)
<b>Total receipts</b>	<u>79,210</u>	<u>79,210</u>	<u>39,907</u>	<u>(39,303)</u>
<b>Disbursements:</b>				
Current:				
Public Safety	49,610	50,025	31,549	18,476
Capital Outlay	23,345	17,542	2,084	15,458
Debt Service:				
Principal Retirement	20,000	24,082	24,082	
Interest and Fiscal Charges	5,635	6,941	6,941	
<b>Total Disbursements</b>	<u>98,590</u>	<u>98,590</u>	<u>64,656</u>	<u>33,934</u>
Receipts Over (Under) Disbursements	<u>(19,380)</u>	<u>(19,380)</u>	<u>(24,749)</u>	<u>(5,369)</u>
<b>Other Financing Sources (Uses):</b>				
Other Debt Proceeds			13,341	13,341
<b>Total Other Financing Sources (Uses)</b>			<u>13,341</u>	<u>13,341</u>
Net Change in Fund Balance	(19,380)	(19,380)	(11,408)	7,972
Fund Balance Beginning of Year	19,380	19,380	19,380	
<b>Fund Balance End of Year</b>	<u>\$0</u>	<u>\$0</u>	<u>\$7,972</u>	<u>\$7,972</u>

*See accompanying notes to the basic financial statements.*

**MADISON TOWNSHIP  
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
SPECIAL LEVY EMT  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>(Optional)</b>
	<u>Original</u>	<u>Final</u>		<b>Variance with Final Budget Positive (Negative)</b>
<b>Receipts:</b>				
Property and Other Local Taxes	\$37,671	\$37,671	\$34,670	(\$3,001)
Charges for Services	19,848	19,848	25,571	5,723
Intergovernmental			2,491	2,491
Miscellaneous	14,000	14,000	846	(13,154)
Total receipts	<u>71,519</u>	<u>71,519</u>	<u>63,578</u>	<u>(7,941)</u>
<b>Disbursements:</b>				
Current:				
Public Safety	60,494	55,274	43,527	11,747
Capital Outlay	74,000	55,923	3,221	52,702
Debt Service:				
Principal Retirement		20,062	20,062	
Interest and Fiscal Charges		3,235	3,235	
Total Disbursements	<u>134,494</u>	<u>134,494</u>	<u>70,045</u>	<u>64,449</u>
Receipts Over (Under) Disbursements	<u>(62,975)</u>	<u>(62,975)</u>	<u>(6,467)</u>	<u>56,508</u>
<b>Other Financing Sources (Uses):</b>				
Other Debt Proceeds			13,341	13,341
Sale of Fixed Assets			3,100	3,100
Total Other Financing Sources (Uses)			<u>16,441</u>	<u>16,441</u>
Net Change in Fund Balance	(62,975)	(62,975)	9,974	72,949
Fund Balance Beginning of Year	<u>62,975</u>	<u>62,975</u>	<u>62,975</u>	
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$72,949</u></u>	<u><u>\$72,949</u></u>

See accompanying notes to the basic financial statements.

**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**1. REPORTING ENTITY**

The Madison Township, Clark County, (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 reporting entity is comprised of the primary government to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services and maintenance of Township roads and bridges. The Township has a volunteer fire and EMS department. Police protection is provided by the Village of South Charleston.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township had no business-type funds.

**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

The statement of net assets presents the cash balance, inventory, pre-paid, interfund loan balances, capital assets and debt of the governmental and business-type activities of the Township at year-end. The statement of activities compares disbursements with program receipts for each of the Township's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Township's general receipts.

**2. Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into three categories, governmental, proprietary and fiduciary.

**1. Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Township's major governmental funds:

**General Fund** – This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**Fire District Fund-** This fund receives tax monies assessed and levied on general assessed valuation of real and personal property and is utilized for the operation of the fire department.

**Special Levy EMT Fund-** This fund receives monies from billings for services and is utilized for the operation of EMS services.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**C. Basis of Accounting**

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or the Township Fiscal Officer identifies decreases in receipts. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted.

The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Township invested in a money market fund. The Township's money market fund investment is recorded at the amount reported by Security National Bank on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$5,946.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.



**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**N. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**4. BUDGETARY BASIS OF ACCOUNTING**

Ohio law requires the Township to budget and appropriate all funds. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimates resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts the Township may appropriate. The appropriation resolution is the Township's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects.

**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$222,093 of the Township's bank balance of \$322,093 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**6. 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, was levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. 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.

**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The full tax rate for all Township operations for the year ended December 31, 2005, was \$4.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

<b>Real Property</b>		
Residential/Agriculture	\$15,742,780	
Commercial/Industrial	2,612,360	
<b>Public Utility Property</b>		
Real	6,200	
Personal	1,726,400	
Tangible Personal Property	2,095,660	
Total Assessed Value	\$22,183,400	

**7. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTAMRA provides property and casualty coverage for its members. OTAMRA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTAMRA. OTAMRA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles. Coverage provided by OTAMRA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Wrongful Acts	2,000,000	Per Occurrence
Property	1,269,004	Total Coverage
Machinery	374,991	Limit

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**8. DEFINED BENEFIT PENSION PLAN**

**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. 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.

**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

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) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. 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, 2005 and 2004 were \$4,747 and \$4,921 respectively. The full amount has been contributed for 2005.

**9. POSTEMPLOYMENT BENEFITS**

**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 Post-employment 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

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, 2004, include a rate of return on investments of 8 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 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 percent annually after eight 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 was 376,109. Actual employer contributions for 2005, which were used to fund post-employment benefits, were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 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. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**10. DEBT**

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	<b>Interest Rate</b>	<b>Balance December 31, 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2005</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>						
Fire Truck Acquisition Bonds 2003 Series	4.90%	\$115,000		\$20,000	\$95,000	\$19,000
Security National Bank Loan 2004 Squad Purchase	4.15%	50,000		15,979	34,021	16,665
Key Bank Master Lease 2005 Building Renovations	4.57%	-	\$90,000	12,248	77,752	12,791
<b>Total</b>		<u>\$195,000</u>	<u>\$90,000</u>	<u>\$48,227</u>	<u>\$206,773</u>	<u>\$48,456</u>

The Township issued Fire Truck Acquisition Bonds on October 27, 2003 in the amount of \$135,000, at an interest rate of 4.9%, for a term of seven years to purchase a new fire truck. Principal and interest payments are due annually to Security National Bank and Trust Company, Springfield, Ohio.

The Township secured a loan on December 27, 2004 in the amount of \$50,000, at an interest rate of 4.15%, for a term of three years to purchase a new EMS Squad. Principal and interest payments are due annually to Security National Bank and Trust Company, Springfield, Ohio.

The Township entered into a Master Lease Agreement on January 10, 2005 in the amount of \$90,000, at an interest rate of 4.57%, for a term of seven years to renovate the township administrative building. Principal and interest payments are due semi-annually to Key Government Finance, Inc. Englewood, Colorado.

All debt is supported by the full faith and credit of the Township and is payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements:

<b>Year</b>	<b>Fire Truck Acquisition Bonds</b>			<b>Security National Bank Loan</b>			<b>Key Bank Master Lease</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$19,000	\$ 4,655	\$ 23,655	\$16,665	\$1,412	\$18,077	\$12,791	\$ 3,274	\$16,065
2007	19,000	3,724	22,724	17,356	720	18,076	13,359	2,707	16,066
2008	19,000	2,793	21,793				13,952	2,114	16,066
2009	19,000	1,862	20,862				14,571	1,495	16,066
2010	19,000	931	19,931				15,218	848	16,066
2011							7,861	172	8,033
<b>Totals</b>	<u>\$95,000</u>	<u>\$13,965</u>	<u>\$108,965</u>	<u>\$34,021</u>	<u>\$2,132</u>	<u>\$36,153</u>	<u>\$77,752</u>	<u>\$10,610</u>	<u>\$88,362</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

**MADISON TOWNSHIP  
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**11. SUBSEQUENT EVENTS**

The Township accepted a bid of \$66,800 from Walters Buildings to build a new garage behind the current township building to house the township's road equipment.

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## Auditor of State Betty Montgomery

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

Madison Township  
Clark County  
P.O. Box V  
35 S. Chillicothe Street  
South Charleston, Ohio 45368

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Township (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 11, 2006. We 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2005-002.

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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated September 11, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### 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 or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Township's management dated September 11, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 11, 2006

**MADISON TOWNSHIP  
CLARK COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Ohio Rev. Code 5705.41(D)** 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. 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 Sections 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 of 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 is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Township.
2. **Blanket certificate:** Fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by members of the legislative authority against any specific line item account over a period not running beyond the current 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 one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 29 percent of the expenditures tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash fund balances. 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 that Township funds will exceed budgetary spending limitations, the Township should certify, if correct, that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used. We recommend the Township certify all purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2005-002**

**Classification of Revenues**

The Township should take measures to provide that the revenue line items of the Township are posted to the proper account code when the funds are received. Amounts which should have been posted as intergovernmental revenue were posted as tax revenue and miscellaneous revenue; additionally, other receipts that should have been shown as other debt proceeds, sale of fixed assets and intergovernmental revenue were posted as miscellaneous revenue. For example, of the \$24, 341 erroneously posted as General Fund Miscellaneous Revenue, \$13,341 should have been Other Debt Proceeds and the remaining \$11,000 should have been Sale of Fixed Assets. This resulted in required adjustments to the financial statements. The proper classification of revenues is essential for the accuracy of the annual financial report and to provide a means of comparability of activity between periods.

**Client Response:** For the fiscal years of 2004 and 2005, the Township incurred a turnover in the position of clerk two times with three clerks serving during that time period. You will notice an improvement in the fiscal 2005 year audit finding compared to the 2004 audit. The current Fiscal Officer and the Madison Township Board of Trustees are making every effort to comply with ORC regulations, attending Auditor of State training sessions and working to ensure all prior audit finding are resolved.

**MADISON TOWNSHIP  
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	ORC Sec. 5705.41(D) – Failed to properly certify funds available prior to expenditures	No	Not Corrected; Comment Repeated
2004-002	ORC Sec. 5735.29 – Improper use of Fuel Excise Taxes	Yes	Corrected
2004-003	ORC Sec. 5705.41(B) – Expenditures in excess of appropriations	Yes	Corrected
2004-004	ORC Sec. 5705.39 – Appropriations in excess of estimated resources	Yes	Corrected
2004-005	Incorrect classification of Revenues	No	Not corrected; Comment Repeated





**Auditor of State  
Betty Montgomery**

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**MADISON TOWNSHIP**

**CLARK 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  
OCTOBER 17, 2006**