



Mary Taylor, CPA  
Auditor of State



MADISON TOWNSHIP  
FAYETTE COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Madison Township  
Fayette County  
10157 US 62 N  
Washington C.H., Ohio 43160

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

October 8, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Madison Township  
Fayette County  
10157 US 62 N  
Washington C.H., Ohio 43160

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. 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. 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, 2006 and 2005 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, 2006 and 2005, 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, Fayette County, as of December 31, 2006 and 2005, 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 October 8, 2007, 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.

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

**Mary Taylor, CPA**  
Auditor of State

October 8, 2007



**MADISON TOWNSHIP  
FAYETTE COUNTY**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$34,024	\$50,907	\$0	\$84,931
Charges for Services	0	900	0	900
Licenses, Permits, and Fees	0	6,300	0	6,300
Intergovernmental	64,364	105,200	0	169,564
Special Assessments	0	2,561	0	2,561
Earnings on Investments	1,084	923	0	2,007
Miscellaneous	231	0	0	231
	<u>99,703</u>	<u>166,791</u>	<u>0</u>	<u>266,494</u>
<b>Total Cash Receipts</b>				
	<u>99,703</u>	<u>166,791</u>	<u>0</u>	<u>266,494</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	77,494	0	0	77,494
Public Safety	235	37,768	0	38,003
Public Works	1,521	22,262	0	23,783
Health	2,339	18,434	0	20,773
Capital Outlay	6,618	141,351	0	147,969
	<u>88,207</u>	<u>219,815</u>	<u>0</u>	<u>308,022</u>
<b>Total Cash Disbursements</b>				
	<u>88,207</u>	<u>219,815</u>	<u>0</u>	<u>308,022</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>11,496</u>	<u>(53,024)</u>	<u>0</u>	<u>(41,528)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In	0	46,000	0	46,000
Transfers-Out	(46,000)	0	0	(46,000)
Other Financing Sources	44	49	0	93
	<u>(45,956)</u>	<u>46,049</u>	<u>0</u>	<u>93</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
	<u>(45,956)</u>	<u>46,049</u>	<u>0</u>	<u>93</u>
<b>Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(34,460)</u>	<u>(6,975)</u>	<u>0</u>	<u>(41,435)</u>
<b>Fund Cash Balances, January 1</b>	<u>159,644</u>	<u>125,524</u>	<u>4</u>	<u>285,172</u>
<b>Fund Cash Balances, December 31</b>	<u>\$125,184</u>	<u>\$118,549</u>	<u>\$4</u>	<u>\$243,737</u>

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

**MADISON TOWNSHIP  
FAYETTE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$35,005	\$52,956	\$0	\$87,961
Charges for Services	0	1,200	0	1,200
Licenses, Permits, and Fees	0	5,100	0	5,100
Intergovernmental	138,760	91,411	0	230,171
Special Assessments	0	2,727	0	2,727
Earnings on Investments	1,088	506	0	1,594
Miscellaneous	795	238	4	1,037
	<u>175,648</u>	<u>154,138</u>	<u>4</u>	<u>329,790</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	83,240	0	0	83,240
Public Safety	235	36,815	0	37,050
Public Works	0	31,536	0	31,536
Health	2,316	18,820	0	21,136
Capital Outlay	5,574	62,536	0	68,110
Debt Service:				
Redemption of Principal	0	0	40,000	40,000
Interest and Other Fiscal Charges	0	0	2,171	2,171
	<u>91,365</u>	<u>149,707</u>	<u>42,171</u>	<u>283,243</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>84,283</u>	<u>4,431</u>	<u>(42,167)</u>	<u>46,547</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In	0	0	42,124	42,124
Transfers-Out	(42,124)	0	0	(42,124)
Other Financing Sources	18	213	0	231
	<u>(42,106)</u>	<u>213</u>	<u>42,124</u>	<u>231</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	42,177	4,644	(43)	46,778
Fund Cash Balances, January 1	<u>117,467</u>	<u>120,880</u>	<u>47</u>	<u>238,394</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$159,644</u></b>	<b><u>\$125,524</u></b>	<b><u>\$4</u></b>	<b><u>\$285,172</u></b>

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

**MADISON TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**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 Madison Township, Fayette County, Ohio (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 and cemetery maintenance. The Township contracts with the BPM Joint Fire District and the Tri-County Joint Fire District to provide fire services and to provide ambulance services.

**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. Cash and Deposits**

The Township Fiscal Officer deposits all available funds of the Township. Township funds are deposited in a "Public Fund Business Interest" checking account.

**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:

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money for constructing maintaining and repairing Township roads.

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

**MADISON TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

Fire District Fund - This fund receives tax money to pay for fire and ambulance protection.

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

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay note debt. The Township had the following significant Debt Service Fund:

Township Building – The Township borrowed \$50,000 from Huntington National Bank in 2003 for the purpose of constructing a building to house the Township offices, maintenance building etc. to be repaid over 5 years.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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 unencumbered 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. However, the Township had no material outstanding encumbrances at December 31, 2006 and 2005.

A summary of 2006 and 2005 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.

**MADISON TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. Equity in Pooled Cash and Deposits**

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

	2006	2005
Demand deposits	\$243,737	\$285,172

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

**2006 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,907	\$99,747	\$47,840
Special Revenue	191,787	212,840	21,053
Debt Service	0	0	0
Total	\$243,694	\$312,587	\$68,893

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$201,413	\$134,207	\$67,206
Special Revenue	213,371	219,815	(6,444)
Debt Service	4	4	0
Total	\$414,788	\$354,026	\$60,762

**2005 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$181,222	\$175,666	(\$5,556)
Special Revenue	144,740	154,351	9,611
Debt Service	0	42,128	42,128
Total	\$325,962	\$372,145	\$46,183

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,337	\$133,489	\$21,848
Special Revenue	242,065	149,707	92,358
Debt Service	47	42,171	(42,124)
Total	\$397,449	\$325,367	\$72,082

**MADISON TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

The Township did not obtain prior certification of the fiscal officer for all purchases. The Township did not utilize purchase orders as required by Ohio Administrative Code.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Debt Service fund by \$42,124 for the year ended December 31, 2005 and in the Gasoline Tax Fund by \$51,457 in 2006.

**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. Retirement Systems**

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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**6. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

**MADISON TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. Risk Management (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

**MADISON TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. Risk Management (Continued)**

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$12,284. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<b><u>Contributions to OTARMA</u></b>	
2005	\$5,169
2006	\$6,142

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



**MADISON TOWNSHIP  
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Related Party Transactions**

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

**8. Prior Period Adjustment**

An adjustment of \$47 was made to the January 1, 2004 beginning fund balances in the Special Revenue Fund and Debt Service Fund. This adjustment was due to interest that was posted to the wrong fund in prior years.

	<u>Special Revenue</u>	<u>Debt Service</u>
Balance at December 31, 2004	\$120,927	\$0
Adjustment not Posted	(47)	47
Balance at January 1, 2005	<u>\$120,880</u>	<u>\$47</u>

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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  
Fayette County  
10157 US 62 N  
Washington C.H., Ohio 43160

To the Township Board of Trustees:

We have audited the financial statements of the Madison Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 8, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

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

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above material weaknesses.

We also noted certain matters that we reported to the Township's management in a separate letter dated October 8, 2007.

### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings item 2006-001, 2006-002 and 2006-003.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated October 8, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

October 8, 2007

**MADISON TOWNSHIP  
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation/ Significant Deficiency**

**Ohio Rev. Code, Section 5705.41 (D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 Board can authorize the drawing of a warrant for the payment of the amount due. The Board 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, (\$1,000 prior to April 7, 2003) 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 the Board.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

One Hundred (100%), in 2006 and 2005 of the purchases tested were initiated without obtaining the prior certification of the Fiscal Officer and were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period.

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

We recommend the Township certify 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.

**Officials Response**

No response was received from the officials.

**FINDING NUMBER 2006-002**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code, Section 5705.41(B)**, states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. During 2006, the Township had actual disbursements which exceeded appropriations by \$51,457 in the Gasoline Tax fund, and in the Debt Service fund of \$42,125, during 2005. Not properly amending appropriations could lead to negative fund balances. Management of the Township should take due care to monitor its budgetary receipts and expenditures.

**Officials Response**

No response was received from the officials.

**FINDING NUMBER 2006-003**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code, Section 5705.10**, provides that revenue from a special source other than general property taxes shall be credited to a special fund established for that purpose. Monies were not always posted to the particular fund specified by their purpose. The Township did not properly record intergovernmental monies. Audit adjustments have been posted to the Township's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Township. Failure to properly post revenue can result in inaccurate records and increase the risk that theft or fraud will not be detected in a timely manner. We recommend that all receipts be properly posted in a timely manner.

**Officials Response**

No response was received from the officials.

**MADISON TOWNSHIP  
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 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 Section 5705.41 (D) 100% of disbursements had no prior certification.	No	Not corrected – Repeated as finding #2006-001.
2004-002	Purchase orders should be used to approve purchase commitments and encumber funds.	No	Not corrected – Addressed as part of finding #2006-001.
2004-003	ORC, Section 117.43, requirements for accounting & financial reporting	Yes	







**Mary Taylor, CPA**  
Auditor of State

**MADISON TOWNSHIP**

**FAYETTE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 8, 2007**