



Mary Taylor, CPA
Auditor of State

**MADISON TOWNSHIP
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Madison Township
Butler County
5610 West Alexandria Road
Middletown, Ohio 45042

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

December 11, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Madison Township
Butler County
5610 West Alexandria Road
Middletown, Ohio 45042

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison Township, Butler County, Ohio, as of December 31, 2007 and 2006, 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 December 11, 2008, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 11, 2008

**MADISON TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$67,833	\$275,049	\$0	\$0	\$342,882
Charges for Services	0	146,864	0	0	146,864
Licenses, Permits, and Fees	62,097	48,274	0	0	110,371
Fines and Forfeitures	3,113	0	0	0	3,113
Intergovernmental	358,853	252,778	0	0	611,631
Special Assessments	1,902	0	3,663	0	5,565
Earnings on Investments	30,730	7,449	0	39	38,218
Miscellaneous	50,182	21,333	0	0	71,515
Total Cash Receipts	574,710	751,747	3,663	39	1,330,159
Cash Disbursements:					
Current:					
General Government	299,783	4,125	0	0	303,908
Public Safety	175,751	322,457	0	0	498,208
Public Works	5,813	404,420	3,807	0	414,040
Health	4,573	24,445	0	0	29,018
Conservation - Recreation	371,781	0	0	0	371,781
Capital Outlay	0	6,600	0	0	6,600
Total Cash Disbursements	857,701	762,047	3,807	0	1,623,555
Total Receipts Over/(Under) Disbursements	(282,991)	(10,300)	(144)	39	(293,396)
Other Financing Receipts / (Disbursements):					
Advances-In	5,267	30,267	0	0	35,534
Advances-Out	(30,267)	(5,267)	0	0	(35,534)
Total Other Financing Receipts / (Disbursements)	(25,000)	25,000	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(307,991)	14,700	(144)	39	(293,396)
Fund Cash Balances, January 1	466,523	300,396	3,500	1,128	771,547
Fund Cash Balances, December 31	\$158,532	\$315,096	\$3,356	\$1,167	\$478,151

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

**MADISON TOWNSHIP
BUTLER COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$74,869	\$315,700	\$0	\$0	\$390,569
Charges for Services	0	28,550	0	0	28,550
Licenses, Permits, and Fees	58,587	4,297	0	0	62,884
Fines and Forfeitures	1,340	0	0	0	1,340
Intergovernmental	308,646	256,051	0	0	564,697
Special Assessments	1,216	0	4,172	0	5,388
Earnings on Investments	51,827	3,600	0	33	55,460
Miscellaneous	47,503	33,538	0	0	81,041
Total Cash Receipts	543,988	641,736	4,172	33	1,189,929
Cash Disbursements:					
Current:					
General Government	541,918	4,333	0	0	546,251
Public Safety	161,105	207,006	0	0	368,111
Public Works	3,552	312,257	3,734	0	319,543
Health	4,517	2,626	0	0	7,143
Conservation - Recreation	178,247	0	0	0	178,247
Capital Outlay	12,300	0	0	0	12,300
Total Cash Disbursements	901,639	526,222	3,734	0	1,431,595
Total Receipts Over/(Under) Disbursements	(357,651)	115,514	438	33	(241,666)
Other Financing Receipts / (Disbursements):					
Transfers-In	0	20,000	0	0	20,000
Transfers-Out	(20,000)	0	0	0	(20,000)
Advances-In	0	23,000	0	0	23,000
Advances-Out	(23,000)	0	0	0	(23,000)
Total Other Financing Receipts / (Disbursements)	(43,000)	43,000	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(400,651)	158,514	438	33	(241,666)
Fund Cash Balances, January 1	867,174	141,882	3,062	1,095	1,013,213
Fund Cash Balances, December 31	<u>\$466,523</u>	<u>\$300,396</u>	<u>\$3,500</u>	<u>\$1,128</u>	<u>\$771,547</u>

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

**MADISON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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, Butler 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Butler County Sheriff to provide police protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA). Note 6 to the financial statements provides additional information for this pool. This organization provides property and casualty coverage for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

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

The Township values certificates of deposit at cost. Investments in STAR Ohio are recorded at share values that STAR Ohio reports.

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:

**MADISON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire Department Fund - This fund receives property tax money for maintaining fire protection services.

Life Squad Fund - This fund receives Emergency Medical Services (EMS) billing and membership fee money for maintaining emergency medical services.

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Lighting Assessment Fund - This fund receives real estate special assessment money for street lighting.

4. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Bequest Fund – The Township has an agreement to maintain the corpus of this trust. This fund receives interest income which is used for cemetery maintenance.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

**MADISON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Cash and Investments

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

	2007	2006
Demand deposits	\$127,151	\$170,547
Certificates of deposit	1,000	1,000
Total deposits	128,151	171,547
STAR Ohio	350,000	600,000
Total investments	350,000	600,000
Total deposits and investments	\$478,151	\$771,547

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$508,810	\$574,710	\$65,900
Special Revenue	755,450	751,747	(3,703)
Capital Projects	4,000	3,663	(337)
Permanent	10	39	29
Total	\$1,268,270	\$1,330,159	\$61,889

**MADISON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$980,800	\$857,701	\$123,099
Special Revenue	1,058,603	762,047	296,556
Capital Projects	7,500	3,807	3,693
Permanent	1,138	0	1,138
Total	<u>\$2,048,041</u>	<u>\$1,623,555</u>	<u>\$424,486</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$487,967	\$543,988	\$56,021
Special Revenue	638,815	661,736	22,921
Capital Projects	4,149	4,172	23
Permanent	25	33	8
Total	<u>\$1,130,956</u>	<u>\$1,209,929</u>	<u>\$78,973</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,320,295	\$921,639	\$398,656
Special Revenue	695,710	526,222	169,488
Capital Projects	5,563	3,734	1,829
Permanent	1,105	0	1,105
Total	<u>\$2,022,673</u>	<u>\$1,451,595</u>	<u>\$571,078</u>

Contrary to Ohio law, estimated receipts exceeded actual receipts and the deficiency reduced available resources below the level of current appropriations in the Fire Department Fund, Life Squad Fund, and Lighting Assessment Fund for the year ended December 31, 2007.

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.

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.

**MADISON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

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.

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. 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 PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

**MADISON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Risk Management (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective 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, 2007 and 2006:

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

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$28,000. 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.

**MADISON TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2005	\$28,300
2006	\$30,914
2007	\$29,418

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

7. Noncompliance

Contrary to Ohio Admin. Code Section 117-2-01(D), the Township incorrectly posted various taxes, intergovernmental revenue, membership fees, franchise fees, and prior-year voided warrants.

Contrary to Ohio Rev. Code Section 505.60(C) and Attorney General Opinion 2005-038, the Township reimbursed Township officers and employees for family coverage for the years 2006 and 2007 which was in excess of the actual out-of-pocket premium expenses attributable to the township officer's and employee's.

Contrary to Ohio Admin. Code Section 117-2-02(C)(1), the Township did not accurately reflect estimated resources and appropriations within the UAN accounting system.

This page intentionally left blank.



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
Butler County
5610 West Alexandria Road
Middletown, Ohio 45042

To the Township Board of Trustees:

We have audited the financial statements of Madison Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 11, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions 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 deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-002.

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.

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. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated December 11, 2008.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-004.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated December 11, 2008.

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



Mary Taylor, CPA
Auditor of State

December 11, 2008

**MADISON TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Material Noncompliance

Ohio Rev. Code, Section 5705.36(A)(4), requires that, upon a determination by the fiscal officer that the amount collected will be less than the amount included in the official certificate, and that the amount of the deficiency will reduce available resources below the current level of appropriations, the fiscal officer shall certify the amount of the deficiency to the commission and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2007 and 2006, estimated receipts exceeded actual receipts in several funds. Furthermore, the deficiency reduced available resources below the current level of the appropriations and the fiscal officer did not certify the deficiency to reduce the official certificate as follows:

Year	Fund	Appropriations	Available Resources	Variance
2007	Fire Department Fund	\$189,071	\$173,920	(\$15,151)
2007	Life Squad Fund	227,481	225,770	(1,711)
2007	Lighting Assessment	7,500	7,164	(336)

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriations can result in overspending and negative fund balances. We recommend that the Village monitor estimated and actual receipts and obtain amendments when required.

FINDING NUMBER 2007-002

Material Noncompliance/Material Weakness

Ohio Admin. Code, Section 117-2-01(D), states, in part, that when designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Township lacked management oversight in the proper posting of taxes, intergovernmental revenue, membership fees, franchise fees, and prior-year voided warrants. The Township incorrectly posted:

- HB66 Tax Reimbursements as Taxes instead of Intergovernmental in 2007 (\$463, General Fund; \$997, Road & Bridge Fund; \$1,159, Fire Department Fund)
- Senate Bill #3 Reimbursements as Taxes instead of Intergovernmental in 2007 (\$5,915, General Fund; \$12,716, Road & Bridge Fund; \$29,572, Fire Department Fund) and 2006 (\$14,786, General Fund; \$31,790, Road & Bridge Fund; \$36,966, Fire Department Fund)
- Cable Franchise Fees as Miscellaneous Receipts instead of Licenses, Permits, and Fees in 2007 (\$62,097, General Fund) and 2006 (\$58,587, General Fund)

**FINDING NUMBER 2007-002
(Continued)**

- A CDBG Grant as a Miscellaneous Receipt instead of Intergovernmental in 2007 (\$16,170, General Fund)
- Life Squad Membership Fees as Miscellaneous Receipts instead of Licenses, Permits, and Fees in 2007 (\$39,975, Life Squad Fund)
- A Township Road Mileage receipt as Taxes to the Permissive Motor Vehicle License Tax Fund instead of Intergovernmental in the Motor Vehicle License Tax Fund in 2006 (\$664)
- Two Township Permissive Tax receipts as Taxes instead of Intergovernmental in 2006 (\$3,388, Permissive Motor Vehicle License Tax Fund)
- A prior-year voided warrant as a prior-year fund balance adjustment in 2006 (\$202, Gasoline Tax Fund)

The Township posted audit adjustments to the accompanying financial statements for the above items. We reported this item in the management letter for the audit of the fiscal year 2005 and 2004 financial statements.

Failure to post transactions to the correct account can result in inaccurate records and increases the risk that errors could occur and not be detected in a timely manner. We recommend the Township post transactions to the correct accounts and review ledgers for accuracy. Comparisons between years may aid in the proper posting of receipts and expenditures.

FINDING NUMBER 2007-003

Material Noncompliance

Ohio Rev. Code, Section 505.60(C), states that if any township officer or employee is denied coverage under a health care plan procured under division (B) of this section or if any township officer or employee elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out of pocket premium that the officer or employee incurs for insurance policies described in division (A) of this section that the officer or employee otherwise obtains, but not to exceed an amount equal to the average premium paid by the township for its officer and employees under policies it procures under division (B) of this section.

Attorney General Opinion 2005-038 concluded that, pursuant to Ohio Rev. Code Section 505.60(C), a board of trustees may reimburse a township officer or employee for the out-of-pocket premiums attributable to that officer or employee for health care coverage under insurance policies described in Ohio Rev. Code Section 505.60(A) if the officer or employee is denied health care coverage under a policy procured by the township under Ohio Rev. Code Section 505.60(B), or if the officer or employee elects not to participate in the township's health care plan. The policies described in 505.60(A) do not include family coverage. Therefore, the township should not reimburse for premium costs attributable to the spouse or dependents of an officer or employee.

The Township reimbursed Township officers and employees for family coverage for the years 2006 and 2007, which was in excess of the actual out-of-pocket premium expenses attributable to the township officer's and employee's only in the amount of \$6,598 in 2006 and \$9,375 in 2007, for a total of \$15,973.

**FINDING NUMBER 2007-003
 (Continued)**

Our audits of townships during this audit period have revealed ambiguity in the interpretation of the health care reimbursement statutes, as demonstrated in the opinions of several prosecuting attorneys submitted to our office. In addition, legislation has been introduced and passed the Ohio House of Representatives to extend reimbursement to township officials and employees for premiums for family coverage. Therefore, we will not issue Findings for Recovery for these expenditures during the 2006-2007 audit period.

We recommend the Township revise its health care premium reimbursement policy to limit reimbursement to amounts attributable to township officials and employees only, unless and until HB 458 is passed by the legislature and becomes law.

FINDING NUMBER 2007-004

Material Noncompliance

Ohio Admin. Code, Section 117-2-02-(C)(1), provides that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. This should also include the input of proper amounts into the budgetary system from the certificate of estimated resources and appropriations approved by the Board of Trustees.

The Township did not properly monitor estimated resources in the UAN system during the audit period, nor did the Township properly reflect amounts per the Township's Certificate of Estimated Resources in the UAN accounting system at the legal level of control. Variances were as follows:

Date	Fund	Amount per Certificate of Estimated Resources	Amount per the UAN system	Variance
July 31, 2006	Gasoline Tax Fund	\$60,424	\$55,250	(\$5,174)
July 31, 2006	Cemetery Fund	4,867	4,530	(337)
July 31, 2006	Lighting Assessment Fund	2,560	2,500	(60)
November 30, 2006	Life Squad Fund	87,773	100,998	13,225
February 28, 2007	General Fund	508,810	479,546	(29,264)

In addition, the Township did not properly monitor appropriations in the UAN system during the audit period, nor did the Township properly reflect amounts per the Township's Annual Appropriation Resolution (plus amendments approved by the Board of Trustees) in the UAN accounting system at the legal level of control. Variances were as follows:

**FINDING NUMBER 2007-004
(Continued)**

Date	Account	Amount per Appropriation Resolution	Amount per the UAN system	Variance
December 31, 2006	1000-110-131-0000	\$25,000	\$24,928	(\$72)
December 31, 2006	1000-110-141-0000	1,000	0	(1,000)
December 31, 2006	1000-110-311-0000	0	1,000	1,000
December 31, 2006	1000-110-389-0000	112,000	112,827	827
December 31, 2006	1000-110-599-0000	75,000	74,173	(827)
December 31, 2006	1000-120-190-0000	160,000	159,567	(433)
December 31, 2006	2021-330-160-0000	26,000	0	(26,000)
December 31, 2006	2021-330-190-0000	0	25,951	25,951
December 31, 2006	2031-110-314-0000	0	3,000	3,000
December 31, 2006	2031-330-160-0000	34,000	0	(34,000)
December 31, 2006	2031-330-190-0000	0	30,848	30,848
December 31, 2006	2031-330-323-0000	0	4,000	4,000
December 31, 2006	2041-410-160-0000	13,000	0	(13,000)
December 31, 2006	2041-410-190-0000	0	12,993	12,993
December 31, 2006	2191-220-160-0000	53,000	0	(53,000)
December 31, 2006	2191-220-190-0000	0	53,000	53,000
December 31, 2006	2281-230-190-0000	62,961	64,361	1,400
December 31, 2006	2281-230-211-0000	4,168	5,703	1,535
December 31, 2006	2281-230-213-0000	500	604	104
December 31, 2006	2281-230-323-0000	3,700	3,596	(104)
December 31, 2006	2281-230-359-0000	5,000	3,600	(1,400)
December 31, 2006	2281-230-490-0000	7,000	7,247	247
December 31, 2006	2281-230-599-0000	6,797	5,662	(1,135)
December 31, 2007	1000-110-131-0000	24,000	28,000	4,000
December 31, 2007	1000-110-330-0000	12,000	11,879	(121)
December 31, 2007	1000-110-599-0000	8,000	8,121	121
December 31, 2007	1000-120-359-0000	35,000	31,000	(4,000)
December 31, 2007	2031-110-314-0000	0	3,000	3,000
December 31, 2007	2031-330-160-0000	58,000	0	(58,000)
December 31, 2007	2031-330-190-0000	25,000	77,670	52,670
December 31, 2007	2031-330-211-0000	8,700	11,000	2,300
December 31, 2007	2031-330-213-0000	0	5,000	5,000
December 31, 2007	2031-330-420-0000	50,000	45,000	(5,000)
December 31, 2007	2031-330-740-0000	0	5,000	5,000
December 31, 2007	2031-330-760-0000	5,000	0	(5,000)
December 31, 2007	2041-410-160-0000	5,000	0	(5,000)
December 31, 2007	2041-410-190-0000	0	5,000	5,000
December 31, 2007	2041-410-740-0000	0	21,691	21,691
December 31, 2007	2041-410-760-0000	21,691	0	(21,691)
December 31, 2007	2191-220-160-0000	53,000	0	(53,000)
December 31, 2007	2191-220-190-0000	0	53,000	53,000
December 31, 2007	2281-230-190-0000	121,019	117,633	(3,386)
December 31, 2007	2281-230-211-0000	18,900	18,684	(216)
December 31, 2007	2281-230-213-0000	2,000	1,478	(522)
December 31, 2007	2281-230-310-0000	15,500	15,591	91
December 31, 2007	2281-230-323-0000	7,132	13,539	6,407

**FINDING NUMBER 2007-004
(Continued)**

December 31, 2007	2281-230-330-0000	3,500	116	(3,384)
December 31, 2007	2281-230-359-0000	9,493	9,982	489
December 31, 2007	2281-230-599-0000	3,697	4,219	522

The receipts ledger facilitates the comparison of estimated to actual receipts within each fund and the expense ledger facilitates the comparison of estimated and actual expenditures for the year. Reporting incorrect estimated resources in the UAN system gives the Board of Trustees an inaccurate view of budgeted financial statements. When appropriations recorded on the system exceed amounts approved by the Board of Trustees, the Township is likely to spend more than they appropriated for the year. Therefore, we recommend that the Township make appropriate changes to the system to reflect the official documents approved by the Board of Trustees.

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



Mary Taylor, CPA
Auditor of State

MADISON TOWNSHIP

BUTLER 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
DECEMBER 24, 2008**