

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 2006 and 2005

**BARBARA ADAMS, FISCAL OFFICER**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Madison Township  
4575 Madison Lane  
Groveport, Ohio 43026

We have reviewed the *Independent Auditor's Report* of Madison Township, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Madison Township is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 8, 2007

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**MADISON TOWNSHIP  
FRANKLIN COUNTY**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report**

Madison Township  
Franklin County  
4575 Madison Lane  
Groveport, Ohio 43026

We have audited the accompanying financial statements of Madison Township (the "Township"), Franklin County, 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 2, the Township prepared these financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for December 31, 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 cash fund balances of Madison Township, Franklin County, as of and for the years ended December 31, 2006 and 2005, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

Independent Auditor's Report  
Page Two

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 June 22, 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 cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
June 22, 2007

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2006 AND 2005

<u>Cash and Cash Equivalents</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$ 2,310,151	\$ 1,785,292
Total Cash and Cash Equivalents	<u>\$ 2,310,151</u>	<u>\$ 1,785,292</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 259,113	\$ 218,686
Special Revenue Funds	1,565,071	1,566,606
Capital Projects Fund	<u>485,967</u>	<u>-</u>
Total Governmental Fund Types	<u>2,310,151</u>	<u>1,785,292</u>
Total Fund Balances	<u>\$ 2,310,151</u>	<u>\$ 1,785,292</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash receipts:</b>					
Local taxes	\$ 294,648	\$ 6,828,725	\$ 55,295	\$ -	\$ 7,178,668
Intergovernmental	680,025	1,409,335	-	-	2,089,360
Special assessments	-	85,704	-	-	85,704
Charges for services	-	29,700	-	-	29,700
Licenses, permits and fees	36,000	-	-	-	36,000
Fines and forfeitures	33,290	439	-	-	33,729
Interest	107,864	2,221	-	-	110,085
Donations and contributions	250	4,075	-	-	4,325
Miscellaneous	6,570	67,142	-	-	73,712
<b>Total cash receipts</b>	<u>1,158,647</u>	<u>8,427,341</u>	<u>55,295</u>	<u>-</u>	<u>9,641,283</u>
<b>Cash disbursements:</b>					
Current:					
General government	459,761	-	-	-	459,761
Public safety	199,000	7,529,714	-	-	7,728,714
Public works	305,198	275,077	-	-	580,275
Health	42,009	-	-	-	42,009
Human services	106,755	-	-	-	106,755
Capital outlay	5,497	624,085	-	764,033	1,393,615
Debt service:					
Principal retirement	-	-	54,968	-	54,968
Interest and fiscal charges	-	-	327	-	327
<b>Total cash disbursements</b>	<u>1,118,220</u>	<u>8,428,876</u>	<u>55,295</u>	<u>764,033</u>	<u>10,366,424</u>
<b>Total cash receipts over/(under) cash disbursements</b>	40,427	(1,535)	-	(764,033)	(725,141)
<b>Other financing receipts/(disbursements):</b>					
Proceeds from sale of notes	-	-	-	1,250,000	1,250,000
<b>Total other financing receipts/(disbursements)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250,000</u>	<u>1,250,000</u>
<b>Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements</b>					
	40,427	(1,535)	-	485,967	524,859
<b>Cash fund balances, January 1, 2006</b>	<u>218,686</u>	<u>1,566,606</u>	<u>-</u>	<u>-</u>	<u>1,785,292</u>
<b>Cash fund balances, December 31, 2006</b>	<u>\$ 259,113</u>	<u>\$ 1,565,071</u>	<u>\$ -</u>	<u>\$ 485,967</u>	<u>\$ 2,310,151</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2006

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 193,724	\$ 1,122,925	\$ 1,316,649	\$ 1,158,647	\$ 35,722	\$ 10,189	\$ 1,193,105	\$ 1,203,294	\$ 1,118,220	\$ 6,404	\$ 1,124,624	\$ 78,670
Special Revenue	1,160,127	849,163	2,009,290	8,427,341	7,578,178	265,095	9,271,000	9,536,095	8,428,876	198,888	8,627,764	908,331
Debt Service	-	55,295	55,295	55,295	-	-	55,295	55,295	55,295	-	55,295	-
Capital Projects	-	1,250,000	1,250,000	1,250,000	-	-	1,250,000	1,250,000	764,033	439,887	1,203,920	46,080
Total												
(Memorandum Only)	\$ 1,353,851	\$ 3,277,383	\$ 4,631,234	\$ 10,891,283	\$ 7,613,900	\$ 275,284	\$ 11,769,400	\$ 12,044,684	\$ 10,366,424	\$ 645,179	\$ 11,011,603	\$ 1,033,081

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 320,769	\$ 7,110,020	\$ 7,430,789
Intergovernmental	565,655	1,168,517	1,734,172
Special assessments	-	84,694	84,694
Charges for services	-	40,776	40,776
Licenses, permits and fees	43,143	-	43,143
Fines and forfeitures	37,188	702	37,890
Interest	51,077	2,782	53,859
Donations and contributions	912	2,400	3,312
Miscellaneous	7,761	68,330	76,091
Total cash receipts	<u>1,026,505</u>	<u>8,478,221</u>	<u>9,504,726</u>
Cash disbursements:			
Current:			
General government	432,335	-	432,335
Public safety	-	7,339,796	7,339,796
Public works	314,780	259,107	573,887
Health	39,699	-	39,699
Human services	95,840	-	95,840
Capital outlay	139,713	807,938	947,651
Total cash disbursements	<u>1,022,367</u>	<u>8,406,841</u>	<u>9,429,208</u>
Total cash receipts over/(under) cash disbursements	4,138	71,380	75,518
Cash fund balances, January 1, 2005	<u>214,548</u>	<u>1,495,226</u>	<u>1,709,774</u>
Cash fund balances, December 31, 2005	<u>\$ 218,686</u>	<u>\$ 1,566,606</u>	<u>\$ 1,785,292</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 70,310	\$ 1,021,788	\$ 1,092,098	\$ 1,026,505	\$ 4,717	\$ 130,101	\$ 1,089,900	\$ 1,220,001	\$ 1,022,367	\$ 10,189	\$ 1,032,556	\$ 187,445
Special Revenue	1,150,654	8,463,324	9,613,978	8,478,221	14,897	201,610	9,539,262	9,740,872	8,406,841	254,906	8,661,747	1,079,125
Total (Memorandum Only)	<u>\$ 1,220,964</u>	<u>\$ 9,485,112</u>	<u>\$ 10,706,076</u>	<u>\$ 9,504,726</u>	<u>\$ 19,614</u>	<u>\$ 331,711</u>	<u>\$ 10,629,162</u>	<u>\$ 10,960,873</u>	<u>\$ 9,429,208</u>	<u>\$ 265,095</u>	<u>\$ 9,694,303</u>	<u>\$ 1,266,570</u>

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Madison Township, Franklin County, Ohio, (the "Township") is a body corporate and politic 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 provides road and bridge maintenance, cemetery maintenance, fire and safety protection and emergency medical services.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Township's accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Township are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Township:

Governmental Fund Types

General Fund

The general fund is used to account for all activities of the Township not required to be included 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.

Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources (other than from trusts or for capital projects) that are legally restricted to expenditure for specific purposes.

The Township had the following significant special revenue funds:

*Fire District Fund* - This fund receives fire levy funds for providing security of persons and property to township residents.

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Police District Fund* - This fund receives money from voted outside millage for police services and related functions.

Debt Service Funds

These funds are used to accumulate resources for the payment of indebtedness. The Township had the following debt service fund:

*Bond Retirement* - This fund accumulates tax monies for the payment to the Township's Bond Retirement.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following capital project fund:

*Park Improvements* – This fund uses note proceeds for park improvement.

*Township Facilities* – This fund uses note proceeds for improvements on the Township Facilities.

**B. BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control for 2006 was at the fund, department, personal services and other level. The legal level of budgetary control for 2005 was the fund level. Any budgetary modifications at this level may only be made by resolution of the Township's Board of Trustees. The Township had several budget modifications throughout the years ended December 31, 2006 and 2005.

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Township legally adopted several supplemental appropriations during 2006 and 2005.

*Encumbrances:*

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Township had outstanding encumbrances at December 31, 2006 and 2005.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Township considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held is credited to its respective funds. Interest income earned and received by the Township totaled \$110,085 and \$53,859 for the years ended December 31, 2006 and 2005, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

Capital assets are not capitalized in any of the Township's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.



**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. UNPAID VACATION AND SICK LEAVE**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**G. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Township's cash basis method of accounting.

**H. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - COMPLIANCE**

In noncompliance with Ohio Revised Code Section 5705.41(B), the following funds had expenditures in excess of appropriations for the year ended December 31, 2006:

<u>Fund Type/Fund/Dept./Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Parks & Recreation Department			
All other	\$ 41,705	\$ 46,816	5,111
<u>Special Revenue Funds</u>			
Road & Bridge			
Personal Services	110,893	119,140	8,247

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

	2006	2005
Deposits:		
Demand deposits	\$ 263,224	\$ (63,737)
Money Market	2,044,734	1,846,940
Total Deposits	2,307,958	1,783,203
Investments:		
STAR Ohio	2,193	2,089
Total deposits and investments	\$ 2,310,151	\$ 1,785,292

The negative balance is not an actual overdraft due to the “zero-balance” nature of the Township’s bank accounts.

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) 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.

**NOTE 5 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County.

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 5 - PROPERTY TAX - (Continued)**

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.

**NOTE 6 - DEBT OBLIGATIONS**

At December 31, 2006, debt obligations consisted of the following issuances:

<u>Description</u>				<u>Balance at 12/31/06</u>
Township Facilities Note: for fire station renovations due in annual installments of varying amounts through 2015, bearing interest at 5.95%.				\$ 1,000,000
Ohio Park Improvement Loan: for improvements to Brobst Memorial Park due in annual installments of varying amounts through 2010, bearing interest at 5.23%.				<u>195,032</u>
Total debt obligations at December 31.				<u>\$ 1,195,032</u>
	<u>Balance 01/01/06</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/06</u>
Township Facilities Note	\$ -	\$ 1,000,000	\$ -	\$1,000,000
Park Notes	<u>-</u>	<u>250,000</u>	<u>54,968</u>	<u>195,032</u>
Total Debt Obligations	<u>\$ -</u>	<u>\$ 1,250,000</u>	<u>\$ 54,968</u>	<u>\$1,195,032</u>

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2006, is as follows:

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 6 - DEBT OBLIGATIONS - (Continued)**

Year Ending December 31,	Park Notes		Township Facilities Note	
	Principal	Interest	Principal	Interest
2007	\$ 45,095	\$ 10,200	\$ 101,976	\$ 42,384
2008	47,453	7,842	90,780	53,579
2009	49,936	5,359	96,328	48,031
2010	52,548	2,748	102,060	42,299
2011	-	-	108,132	36,227
2012 - 2015	-	-	500,724	76,713
Totals	<u>\$ 195,032</u>	<u>\$ 26,149</u>	<u>\$1,000,000</u>	<u>\$ 299,233</u>

**NOTE 7 - RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Township's fire, emergency medical services and police belong to the Police & Firemen's Disability & Pension Funds (OP&F).

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OPERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Township contributed an amount equal to 13.70% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. For 2006 and 2005, the Township paid all the employee portion (10%) and employer portion (24%) of the OP&F retirement contributions for full time fire firefighters. The Township has paid all contributions required through December 31, 2006 and 2005.

The Township's part-time fire fighters belong to the Social Security Administration and pay the Federal Insurance Contributions Act taxes (FICA). FICA contribution rates are approved by the United States Congress. Members of FICA contributed 6.2% of their wages to FICA. The Township also contributed an amount equal to 6.2% of their wages. The Township has paid all contributions required through December 31, 2006 and 2005.

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 8 - RISK MANAGEMENT**

**A. Risk Pool Membership**

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, 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.

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 8 - RISK MANAGEMENT - (Continued)**

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:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
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	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 8- RISK MANAGEMENT - (Continued)**

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 \$198,000. 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.

<b><u>Contributions to OTARMA</u></b>	
2004	\$89,329
2005	\$93,806
2006	\$99,037

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.

- B.** The Township also provides health, vision and dental insurance coverage to full-time employees through a private carrier.

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 9 - CONTINGENT LIABILITIES**

The Township is currently not involved in any pending litigation.





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Madison Township  
Franklin County  
4575 Madison Lane  
Groveport, Ohio 43026

We have audited the financial statements of Madison Township as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 22, 2007, wherein we noted Madison 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Madison Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Madison Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Madison Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, 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 Madison 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 a misstatement or the Madison Township's financial statements that is more than inconsequential will not be prevented or detected by the Madison Township's internal control.

Board of Trustees  
Madison Township

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Madison Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of reasonably assuring whether Madison 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 such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2006-MT-001.

In addition, we noted other matters involving the internal control and its operations and compliance and other matters that we reported to the management of the Township in a separate letter dated June 22, 2007.

Madison Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Madison Township's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Trustees and management of Madison Township, and is not intended to be and should not be used by anyone other than those specified.



Julian & Grube, Inc.  
June 22, 2007

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

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

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2006-MT-001

Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.

It was noted during the audit that in the year ended December 31, 2006 the Township had expenditures in excess of appropriations in the following funds:

<u>Fund Type/Fund/Dept./Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Parks & Recreation Department			
All other	\$ 41,705	\$ 46,816	5,111
 <u>Special Revenue Funds</u>			
Road & Bridge			
Personal Services	110,893	119,140	8,247

With expenditures exceeding appropriations, the Township is expending monies that have not been appropriated and approved by the Board of Trustees. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Township comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

*Client Response:* The Township Fiscal Officer is attempting to prepare additional appropriation modifications and have them approved by Township Trustees.

**MADISON TOWNSHIP  
FRANKLIN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u></b>
2004-MT-001	Ohio Revised Code Section 5705.41(D) requires that no subdivision is to expend money unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated.	Yes	N/A



**Mary Taylor, CPA**  
Auditor of State

**MADISON TOWNSHIP**

**FRANKLIN 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  
AUGUST 21, 2007**