

MADISON TOWNSHIP

INDEPENDENT ACCOUNTANTS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND DECEMBER 31, 2006

Varney, Fink & Associates, Inc.
Certified Public Accountants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Madison Township
817 Expressview Drive
Mansfield, Ohio 44905

We have reviewed the *Independent Accountants' Report* of Madison Township, Richland County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. 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 Accountants' 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 Accountants' 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 11, 2010

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**MADISON TOWNSHIP, OHIO
RICHLAND COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

TABLE OF CONTENTS

Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - December 31, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - December 31, 2006	4
Notes to the Financial Statements.....	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Schedule of Audit Findings and Responses	15
Schedule of Prior Audit Findings	30

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INDEPENDENT ACCOUNTANTS' REPORT

Madison Township
Richland County
817 Expressview Drive
Mansfield, Ohio 44905

To the Township Trustees:

We have audited the accompanying financial statements of Madison Township, Richland County (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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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 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 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.

INDEPENDENT ACCOUNTANTS' REPORT (continued)

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.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Madison Township as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 November 30, 2009 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, grant agreements and other matters. While we did not express an opinion 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* and should be read in conjunction with this report in considering the results of our audit.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

November 30, 2009

Madison Township, Ohio
Richland 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

	General	Special Revenue	Debt Service	Total (Memorandum Only)
Cash Receipts				
Local Taxes	\$71,154	\$1,642,712	\$0	\$1,713,866
Charges for Services	0	200,923	0	200,923
Special Assessments	0	34,205	0	34,205
Intergovernmental	105,839	383,282	0	489,121
Licenses, Permits and Fees	11,453	0	0	11,453
Interest	3,604	1,309	0	4,913
Other	3,721	28,590	0	32,311
Total Cash Receipts	195,771	2,291,021	0	2,486,792
Cash Disbursements				
Current:				
General Government	219,002	28,529	0	247,531
Public Safety	0	1,319,456	0	1,319,456
Public Works	0	549,042	0	549,042
Contract Services	0	28,366	0	28,366
Capital Outlay	2,147	240,875	0	243,022
Debt Service			0	
Redemption of Principal	0	12,839	3,000	15,839
Interest and Fiscal Charges	0	3,234	45	3,279
Total Cash Disbursements	221,149	2,182,341	3,045	2,406,535
Total Cash Receipts Over/(Under) Cash Disbursements	(25,378)	108,680	(3,045)	80,257
Other Financing Receipts/(Disbursements)				
Operating Transfers-In	0	5,296	0	5,296
Operating Transfers-Out	(5,296)	0	0	(5,296)
Sale of Assets	0	17,982	0	17,982
Total Other Financing Receipts/(Disbursements)	(5,296)	23,278	0	17,982
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(30,674)	131,958	(3,045)	98,239
Fund Cash Balances/(Deficits), January 1	123,994	484,829	(14,893)	593,930
Fund Cash Balances/(Deficits), December 31	\$93,320	\$616,787	(\$17,938)	\$692,169
Reserve For Encumbrances	\$10,954	\$75,765	\$0	\$86,719

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

Madison Township, Ohio
Richland 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

	General	Special Revenue	Debt Service	Total (Memorandum Only)
Cash Receipts				
Local Taxes	\$72,910	\$1,098,273	\$0	\$1,171,183
Charges for Services	0	238,906	0	\$238,906
Special Assessments	0	33,928	0	33,928
Intergovernmental	226,188	300,271	0	526,459
Licenses, Permits and Fees	12,333	0	0	12,333
Interest	4,728	1,482	0	6,210
Other	0	5,941	0	5,941
Total Cash Receipts	316,159	1,678,801	0	1,994,960
Cash Disbursements				
Current:				
General Government	211,925	16,778	0	228,703
Public Safety	0	920,451	0	920,451
Public Works	0	683,725	0	683,725
Contract Services	0	23,893	0	23,893
Capital Outlay	8,445	203,943	0	212,388
Debt Service				
Redemption of Principal	0	2,075	16,150	18,225
Interest and Fiscal Charges	0	604	286	890
Total Cash Disbursements	220,370	1,851,469	16,436	2,088,275
Total Cash Receipts Over/(Under) Cash Disbursements	95,789	(172,668)	(16,436)	(93,315)
Other Financing Receipts/(Disbursements)				
Operating Transfers-In	0	117,000	84	117,084
Operating Transfers-Out	(117,084)	0	0	(117,084)
Sale of Assets	0	11,113	0	11,113
Note Proceeds	0	70,713	0	70,713
Total Other Financing Receipts/(Disbursements)	(117,084)	198,826	84	81,826
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(21,295)	26,158	(16,352)	(11,489)
Fund Cash Balances, January 1 - Restated (See Note 2)	145,289	458,671	1,459	605,419
Fund Cash Balances/(Deficits), December 31	\$123,994	\$484,829	(\$14,893)	\$593,930
Reserve For Encumbrances	\$10,907	\$77,946	\$0	\$88,853

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

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Madison Township, Richland 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 general governmental services, including road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Richland County Sheriff's Department to provide police protection to the residents of the Township.

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

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 (ie, when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records.

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

General Fund – This fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

Road and Bridge Fund - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Fire Fund – This fund receives property tax money for the purpose of providing fire protection to the Township.

EMS Fund – This fund is used to account for receipts for the purpose of providing emergency medical services to the Township.

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

Debt Service Fund – The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness.

E. Budgetary Process

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

Appropriations - Budgetary expenditures (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. Unencumbered appropriations lapse at year end.

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.

Encumbrances - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

G. Accumulated 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 is not reflected as a liability under the Township's basis of accounting.

2. **RESTATEMENT OF PRIOR PERIOD BALANCES**

During the year ending December 31, 2006, the Township reclassified the Lighting Assessment fund from a Capital Projects fund type to a Special Revenue fund type. The result of this change, and effect on fund balances, is summarized below:

	<u>Special Revenue</u>	<u>Capital Projects</u>
Fund Balances at December 31, 2005	\$436,544	\$22,127
Special Assessment Lighting Fund	<u>22,127</u>	<u>(22,127)</u>
Restated Fund Balances at January 1, 2006	<u>\$458,671</u>	<u>\$0</u>

3. **EQUITY IN POOLED CASH AND INVESTMENTS**

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 investments at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$604,415	\$510,175
Money Market	12,094	11,810
STAR Ohio	<u>75,660</u>	<u>71,945</u>
Total Deposits and Investments	<u>\$692,169</u>	<u>\$593,930</u>

Deposits

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

Investments

The Township has invested in STAR Ohio. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

4. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and December 31, 2006 was as follows:

2007 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$191,211	\$195,771	\$4,560
Special Revenue	1,581,000	2,314,299	733,299
Debt Service	70,000	0	(70,000)
Total	<u>\$1,842,211</u>	<u>\$2,510,070</u>	<u>\$667,859</u>

2007 Budget vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$274,757	\$237,399	\$37,358
Special Revenue	2,559,263	2,258,106	301,157
Debt Service	6,000	3,045	2,955
Total	<u>\$2,840,020</u>	<u>\$2,498,550</u>	<u>\$341,470</u>

2006 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$308,733	\$316,159	\$7,426
Special Revenue	1,527,964	1,877,627	349,663
Debt Service	70,000	84	(69,916)
Total	<u>\$1,906,697</u>	<u>\$2,193,870</u>	<u>\$287,173</u>

2006 Budget vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$384,951	\$348,361	\$36,590
Special Revenue	2,102,181	1,929,415	172,766
Debt Service	71,459	16,436	55,023
Total	<u>\$2,558,591</u>	<u>\$2,294,212</u>	<u>\$264,379</u>

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

5. **ACCOUNTABILITY AND COMPLIANCE**

Legal Compliance

Contrary to Section 5705.39, Ohio Revised Code, appropriations exceeded estimated fund resources as follows:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2007			
Road and Bridge	\$280,249	\$306,967	(\$26,718)
Fire District	\$796,359	\$1,378,150	(\$581,791)
Permissive Sales Tax	\$253,769	\$366,650	(\$112,881)
2006			
Motor Vehicle License Tax	\$35,819	\$40,792	(\$4,973)
Gasoline Tax	\$117,030	\$136,108	(\$19,078)
Road and Bridge	\$266,040	\$298,811	(\$32,771)
Fire District	\$920,751	\$937,288	(\$16,537)
Permissive Sales Tax	\$301,877	\$368,272	(\$66,395)
EMS	\$246,533	\$268,783	(\$22,250)

Contrary to Section 5705.41(B), Ohio Revised Code, expenditures and encumbrances exceeded authorized appropriations in the following funds:

	<u>Total Expenditures</u>	<u>Total Appropriations</u>	<u>Variance</u>
2007			
Fire Education	\$3,555	\$0	(\$3,555)
2006			
Road and Bridge	\$356,809	\$298,811	(\$57,998)
Fire Education	\$1,643	\$0	(\$1,643)

Contrary to Section 5705.36(A)(4), Ohio Revised Code, appropriations exceeded actual fund resources as follows:

	<u>Total Actual Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
<u>2007</u>			
Permissive Sales Tax	\$317,307	\$366,650	(\$49,343)
Debt Service	(\$14,893)	\$6,000	(\$20,893)

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

5. **ACCOUNTABILITY AND COMPLIANCE** (continued)

<u>2006</u>			
Motor Vehicle License Tax	\$40,589	\$40,792	(\$203)
Fire District	\$840,224	\$937,288	(\$97,064)
Debt Service	\$1,543	\$71,459	(\$69,916)

6. **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. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed to 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.

7. **DEBT**

General obligation notes were outstanding as follows:

	Issue Date	Maturity Date	Original Amount	Interest Rate	Principal Balance	
					2007	2006
Key Bank Improvements and Furniture	2002	2007	\$15,000	2.90%	\$0	\$3,000
Richland Bank Front End Loader	2006	2011	\$70,713	5.08%	\$55,799	\$68,638

Amortization of principal is scheduled as follows at December 31, 2007:

Year Ending December 31,	General Obligation Notes
2008	\$13,508
2009	14,228
2010	14,979
2011	13,084
Total	\$55,799

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

8. **CAPITAL LEASES**

The Township has entered into capital lease agreements to finance the acquisition of an ambulance, a fire truck, a dump truck, a leaf loader, a server, fire equipment, and a tractor and patcher. The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at December 31, 2007:

Year Ending December 31,	2004 Ambulance	2005 Dump Truck	2005 Leaf Loader	2006 Fire Truck	2006 Server	2007 Fire Equipment	2007 Tractor and Patcher
2008	\$23,205	\$20,392	\$6,803	\$85,594	\$5,153	\$34,140	\$38,267
2009	0	20,392	6,803	85,594	3,865	34,140	38,267
2010	0	20,392	0	21,399	0	8,535	38,267
2011	0	0	0	0	0	0	12,756
Total Minimum Lease Payments	23,205	61,176	13,606	192,587	9,018	76,815	127,557
Less Amounts Representing Interest Present Value of Future Minimum Lease Payments	(508)	(6,102)	(1,045)	(11,522)	(823)	(5,236)	(11,465)
	<u>\$22,697</u>	<u>\$55,074</u>	<u>\$12,561</u>	<u>\$181,065</u>	<u>\$8,195</u>	<u>\$71,579</u>	<u>\$116,092</u>

9. **RETIREMENT SYSTEMS**

The Township's fire department personnel belong to the Ohio Police and Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006 OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of OP&F participant wages. OPERS members contributed 9.5% and 9.0% of their wages in 2007 and 2006, respectively. The Township contributed an amount equal to 13.85% and 13.7% of participants' gross salaries in 2007 and 2006, respectively.

10. **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 insurance 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

11. **RELATED ORGANIZATION – MADISON WATER DISTRICT**

The Madison Township Board of Trustees are responsible for appointing individuals to serve on the Board of Trustees of the Madison Water District. The Madison Water District hires and fires its own staff and does not rely on the Township to finance deficits. The Township is not financially accountable for the Madison Water District nor is the Madison Water District financially dependent on the Township. The Madison Water District serves as its own budgeting, taxing and debt issuance authority. The Madison Water District did not receive any funding from the Township during the audit period.

**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
Richland County
817 Expressview Drive
Mansfield, Ohio 44905

To the Board of Trustees:

We have audited the financial statements of Madison Township, Richland County (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated November 30, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 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 Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 we 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 the normal course of 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 accounting practices the Auditor of State prescribes or permits, such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider findings 2007-01 through 2007-06 described in the accompanying Schedule of Audit Findings and Responses to be significant deficiencies in internal control over financial reporting.

**Madison Township
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***

Page 2

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 the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe findings 2007-01 through 2007-05 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Responses as items 2007-04, 2007-05 and 2007-07 through 2007-10.

We noted certain matters that we reported to the Township's management in a separate letter dated November 30, 2009.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than those specified parties.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

November 30, 2009

MADISON TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

Finding 2007-01 *Bank Reconciliations - Significant Deficiency/Material Weakness*

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records at a specific point in time.

From January 1, 2006 through December 31, 2007, the Township did not fully reconcile the balance of the bank and the balance of cash in the accounting records.

Without complete and accurate monthly bank reconciliations the Township's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Township's management. In addition, the Township's management is not provided with timely fiscal information that is vital to the continued operation and decision making process of the Township.

The Township needs to prepare accurate monthly bank reconciliations in a timely manner. Also, a hard copy of the monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder with the bank statements and supporting documents for the applicable month. All unreconciled difference should be resolved as quickly as possible so they are not carried forward from month to month. All reconciling items should be appropriately documented.

The Township has subsequently performed reconciliations for January 2006 through December 2007. The reconciliations reflect a difference between bank and books of \$804 which is the amount cash was off at December 31, 2005. The Trustees will be writing this difference off to the General Fund.

Officials Response:

The Township will prepare accurate monthly bank reconciliations in a timely manner and file a hard copy of the reconciliation and list of outstanding checks in the bank activity folder. The Township will resolve all unreconciled differences as soon as possible and will appropriately document all reconciling items.

Finding 2007-02 *Financial Reporting - Significant Deficiency/Material Weakness*

Sound financial reporting is the responsibility of the Township fiscal officer and the Township's Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

MADISON TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

The Township lacks management oversight in the posting of receipts and expenditures. This lack of oversight is illustrated by the following:

2006

- Y Local tax receipts were double booked and then incorrectly adjusted by booking an expense in the General Fund for \$3,335, the Road and Bridge Fund for \$10,000, and the Fire District Fund for \$86,665.
- Y Local tax receipts of \$15,200 were incorrectly recorded in the Debt Service Fund and should have been recorded in the General Fund.
- Y Transfers of funds from STAROhio to the general checking account were incorrectly booked as receipts in the Fire District Fund for \$25,000 and the EMS Funds for \$17,600.
- Y Refinancing of debt was not recorded as a revenue and subsequent expenditure in the Permissive Sales Tax Fund for \$70,713.
- Y Intergovernmental and Local taxes of \$18,283 were incorrectly recorded in the General Fund and should have been recorded in the Road and Bridge Fund for \$4,494 and the Fire District Fund for \$13,789.
- Y Intergovernmental receipts of \$106 were incorrectly recorded in the Road and Bridge Fund and should have been recorded in the Fire District Fund.
- Y An Intergovernmental receipt for \$146 was double booked as a Transfer-In in the Road and Bridge Fund.
- Y Special Assessment receipts of \$11,904 were incorrectly recorded as an expense in the Lighting Assessment Fund.
- Y Receipts for the Sale of Assets of \$11,113 were incorrectly recorded as Other receipts in the Road and Bridge Fund.
- Y Intergovernmental receipts of \$11,041 were incorrectly recorded as Local Taxes receipts in the Fire District Fund.
- Y Local tax receipts of \$6,147 were incorrectly recorded as Intergovernmental receipts in the Fire District Fund.
- Y Special Assessments of \$7,683 were incorrectly recorded as Charges for Services in the Lighting Assessment Fund.

MADISON TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

- Y Public Works expense of \$8,257 was incorrectly recorded as a Capital Outlay expense in the Gasoline Tax Fund.
- Y Public Safety expense of \$4,043 was incorrectly recorded as a Public Works expense in the Fire District Fund.
- Y Public Works expense of \$92,113 was incorrectly recorded as a Public Safety expense in the Permissive Sales Tax Fund.
- Y Public Safety expense of \$168,796 was incorrectly recorded as a Health expense of \$39,861 and Human Services expense of \$128,934 in the EMS Fund.
- Y Principal Retirement of \$2,075 and Interest expense of \$604 were incorrectly recorded as Public Safety expense in the Permissive Sales Tax Fund.
- Y Capital Outlay expenses of \$27,196, \$74,822 and \$25,565 were incorrectly recorded as Public Safety expenses in the Permissive Sales Tax Fund, Fire District Fund and EMS Fund, respectively.
- Y Capital Outlay expense of \$5,313 for the Fire District Fund was incorrectly recorded in the EMS Fund as Public Safety expense.

Adjustments were needed to properly classify the moneys received and expended. The accompanying financial statements for 2006 include total adjustments as follows:

Fund	2006 Increase/(Decrease)
General Fund - Local Taxes	(\$5,611)
General Fund - Intergovernmental	(\$807)
General Fund – Licenses, Permits and Fees	\$40
General Fund - Interest	\$77
General Fund - General Government	(\$2,384)
General Fund - Public Works	(\$117,000)
General Fund - Transfers-Out	\$117,000
Special Revenue Funds - Local Taxes	\$151,985
Special Revenue Funds - Charges for Services	(\$16,740)
Special Revenue Funds - Special Assessments	\$19,587
Special Revenue Funds - Intergovernmental	(\$211,236)
Special Revenue Funds - Other	(\$32,402)
Special Revenue Funds - General Government	(\$22,000)
Special Revenue Funds - Public Safety	(\$137,826)

MADISON TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

Special Revenue Funds - Public Works	\$197,370
Special Revenue Funds - Health	(\$39,861)
Special Revenue Funds - Human Services	(\$128,935)
Special Revenue Funds - Contract Services	(\$11,904)
Special Revenue Funds - Capital Outlay	\$191,310
Special Revenue Funds - Redemption of Principal	\$2,075
Special Revenue Funds - Interest and Other Fiscal Charges	\$604
Special Revenue Funds - Transfers-In	\$84,854
Special Revenue Funds - Sale of Assets	\$11,113
Special Revenue Funds - Loan Proceeds	\$70,713
Special Revenue Funds - Other Financing Sources	(\$96)
Debt Service Fund - Local Taxes	(\$15,200)
Debt Service Fund – Redemption of Principal	(\$57)
Debt Service Fund – Interest and Fiscal Charges	\$57

The net adjustments made to each fund balance is as follows:

Fund	2006 Increase/(Decrease)
General Fund	(\$3,919)
Road and Bridge	(\$5,758)
Fire District	(\$40,317)
Fire Education	\$1,958
Permissive Sales Tax	\$29,000
EMS	\$9,473
Lighting Assessment	\$23,808
Debt Service	(\$15,200)

2007

- Y Local tax receipts were double booked and then incorrectly adjusted by booking an expense in the General Fund for \$3,800, the Road and Bridge Fund for \$12,350 and the Fire District Fund for \$78,850.
- Y Local tax receipts of \$6,000 were incorrectly recorded in the Debt Service Fund and should have been recorded in the General Fund.
- Y Special Assessment receipts of \$16,616 were incorrectly recorded as an expense in the Lighting Assessment Fund.

MADISON TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

- Charges for Services receipts of \$13,943 in the EMS Fund were not booked by the Township.
- Intergovernmental and local tax receipts of \$3,464 were incorrectly recorded in the General Fund and should have been recorded in the Road and Bridge Fund for \$113 and the Fire District Fund for \$3,351.
- Intergovernmental receipts of \$8,712 were incorrectly recorded in the Road and Bridge Fund and should have been recorded in the Fire District Fund.
- Local tax receipts of \$607 were incorrectly recorded as Intergovernmental receipts in the General Fund.
- Intergovernmental receipts of \$2,033 were incorrectly recorded as Other receipts in the General Fund.
- Sale of Assets of \$10,728, \$5,036 and \$2,218 were incorrectly recorded as Other receipts in the Road and Bridge Fund, Fire District Fund and EMS Fund, respectively.
- Intergovernmental receipts of \$31,112 were incorrectly recorded as Local Tax receipts \$25,552 and Other receipts \$5,560 in the Fire District Fund.
- Local tax receipts of \$10,994 were incorrectly recorded as Intergovernmental receipts in the Fire District Fund.
- Local tax receipts of \$253,193 were incorrectly recorded as Intergovernmental receipts in the Permissive Sales Tax Fund.
- Special assessment receipts of \$7,789 were incorrectly recorded as Charges for Services receipts in the Lighting Assessment Fund.
- Capital Outlay expense of \$113,681 and \$50,297 was incorrectly recorded as Public Safety expense in the Fire District Fund and Permissive Sales Tax Fund, respectively.
- Capital Outlay expense of \$2,310 was incorrectly recorded as Public Works expense in the Permissive Sales Tax Fund.
- Public Safety expense of \$198,121 was incorrectly recorded as Health expense \$57,035 and Human Services expense \$141,086 in the EMS Fund.
- Principal Retirement of \$10,756 and Interest expense of \$2,638 was incorrectly recorded as Public Safety expense and Public Works expense in the Permissive Sales Tax Fund.

MADISON TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

- Y Principal Retirement of \$2,083 and Interest expense of \$596 was incorrectly recorded as Capital Outlay expense in the MVL Tax Fund.
- Y Capital Outlay expense of \$27,889 was incorrectly recorded as Public Safety expense in the EMS Fund.
- Y Capital Outlay expense of \$21,282 was incorrectly recorded as supplies and materials expense in the Fire District Fund.
- Y Public Safety expense of \$3,555 was incorrectly recorded as miscellaneous expense in the Fire Education Fund.

Adjustments were needed to properly classify the moneys received and expended. The accompanying financial statements for 2007 include total adjustments as follows:

Fund	2007 Increase/(Decrease)
General Fund - Local Taxes	\$2,200
General Fund - Intergovernmental	(\$1,431)
General Fund - Licenses, Permits and Fees	\$1,064
General Fund - Interest	\$96
General Fund - Other	\$817
General Fund - General Government	(\$3,704)
General Fund - Transfers - Out	\$5,296
General Fund - Other Financing Sources	(\$662)
Special Revenue Funds - Local Taxes	\$147,435
Special Revenue Funds - Charges for Services	\$11,475
Special Revenue Funds - Special Assessments	(\$8,826)
Special Revenue Funds - Intergovernmental	(\$229,611)
Special Revenue Funds - Other	(\$23,586)
Special Revenue Funds - Public Safety	(\$81,196)
Special Revenue Funds - Public Works	(\$15,929)
Special Revenue Funds - Health	(\$57,035)
Special Revenue Funds - Human Services	(\$141,086)
Special Revenue Funds - Capital Outlay	\$212,880
Special Revenue Funds - Redemption of Principal	\$12,839
Special Revenue Funds - Interest and Other Fiscal Charges	\$3,234
Special Revenue Funds - Transfers-In	\$5,296
Special Revenue Funds - Sale of Assets	\$17,982
Special Revenue Funds - Other Financing Sources	(\$225)
Debt Service Fund - Local Taxes	(\$6,000)

MADISON TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

The net adjustments made to each fund balance is as follows:

Fund	2007
General Fund	(\$1,143)
Road and Bridge	(\$8,163)
Fire District	\$17,453
EMS	\$13,694
Lighting Assessment	(\$16,616)
Debt Service	(\$6,000)

These adjustments have been posted to the Township’s accounting records and these financial statements. Failure to properly post revenue and expenditures can result in inaccurate records and cause the Township to misappropriate funds. To improve accountability and record keeping, we recommend the Township properly post all county and state revenue receipts to the correct funds and line items. The fiscal officer should post all applicable receipts at gross, not net. The fiscal officer should review receipts and expenditures posted to the ledgers for accuracy. The Board of Trustees should adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data throughout the year.

Officials Response:

The Township will properly post all County and State revenue receipts to the correct funds and line items. All applicable receipts will be posted at gross, not net and all receipts and expenditures will be reviewed for accuracy.

Finding 2007-03 *Payroll Reporting - Significant Deficiency/Material Weakness*

During testing of payroll the audit team noted a number of unusual payroll practices used by the Township to record the salaries/wages of its employees and also multiple improper postings of employer’s portions of Medicare, OPERS, hospitalization and worker’s compensation.

1. The Township issued paychecks to individuals for \$0.00 and showed a deduction from the gross pay. The Township would then issue one lump sum paycheck to the financial institution and have the Township secretary deliver the check to the financial institution for deposit into the employee’s account, thus making it difficult to identify whether the employee’s pay was recorded in the appropriate fund. It is our understanding that this practice was considered to be similar to direct deposit.

MADISON TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

We recommend that the Township establish direct deposit with their appropriate financial institution and eliminate the unusual deduction from the payroll system or issue a true paper check directly to the employee.

2. On numerous occasions the Township recorded employer portions of payroll benefits in the salary/employee line items. Medicare employer deductions were recorded in the general ledger as paid from the same line item used to record employee's payroll. There were also instances of the employer's portion of OPERS and Worker's Compensation being recorded in the salaries and wages line items to be used to record employee salaries.

We recommend the Township review its recording processes and procedures to properly record employer portions of pension, benefits and taxes separate from that which are being withheld from the employees.

3. The Township makes unusual changes in the funds used to pay employee salaries throughout the year, most notably in regards to the road department. The Township would record payroll from one fund for a few months then as appropriations became low the Township would begin recording payroll from another fund that did appear to be appropriate for recording the salaries of the road department.

We recommend that the Township establish the appropriate portion of employee wages to be paid from the appropriate funds during the budgeting process and then allocate each payroll run according to the percentage or portion that fund is estimated to cover for the year on each payroll distribution. Thus when the road department is paid their salaries it should be apportioned among the two or three funds according to the established percent or portion that was determined while budgeting for the year.

4. The Township currently posts its employee salaries/wages to the general ledger at the net amount paid after all deductions have been made via the payroll system. The Township then lump sums the deductions into one check made to the various entities that they go to. For example the road department has five employees and they would all be recorded individually in the general ledger at their net payroll, then the sum of all five employees' deductions for Medicare, Federal income tax, PERS, Ohio income tax, the unusual deduction for direct deposit as noted in #1, union dues and etc. When the Township uses multiple funds to record these individuals payroll like was noted in #3 it becomes very difficult to identify which fund and if the proper amounts are being paid for the withholdings previously mentioned. The most difficult to follow are the PERS and Ohio income tax withholdings that are paid monthly and thus are an accumulation of three to four pay periods of five individuals lumped together and posted to the general ledger as paid in the month following the actual occurrence of the pay periods that the withholdings are from.

MADISON TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

We recommend the Township obtain another bank account with a financial institution that is acceptable and meets the requirements of the Ohio Revised Code, to use as a payroll clearing account. The basic premise of the account would be to pay all employee salaries, and withholding from the account. At the end of the pay period the fiscal officer would transfer money from the general checking bank account to the payroll bank account to cover all salaries and withholdings calculated while performing the general payroll process. At the time of the general checking account transfer to the payroll account an entry would be made to the general ledger for the gross amount paid to each employee in the fund that would be appropriate to pay them from. Then all the separate payments for the net amount of salaries and the withholdings can be tracked through the payroll system and reconciled to the bank account accordingly.

Officials Response:

If the Township's accounting software will allow for this type of procedure, the Township will obtain another bank account to use as a payroll clearing account.

Finding 2007-04 Non Compliance/Significant Deficiency/Material Weakness

Sections 5705.14, 5705.15 and 5705.16, Revised Code provides guidelines pertaining to allowable transfers. During fiscal year 2007 and 2006, the Board authorized transfers which were not made and transfers that were made without the approval of the Tax Commissioner and the Court of Common Pleas. See the table below for how these transfers were recorded.

<u>2007</u>			
Fund	Recorded Transfers-In	Properly Authorized Transfers-In	Variance
Fire District	\$0	\$5,296	\$5,296

Fund	Recorded Transfers-Out	Properly Authorized Transfers-Out	Variance
General	\$0	\$5,296	\$5,296

MADISON TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

2006

<u>Fund</u>	<u>Recorded Transfers-In</u>	<u>Properly Authorized Transfers-In</u>	<u>Variance</u>
Fire District	\$22,000	\$0	\$22,000
Road and Bridge	\$10,000	\$117,000	\$107,000

<u>Fund</u>	<u>Recorded Transfers-Out</u>	<u>Properly Authorized Transfers-Out</u>	<u>Variance</u>
General	\$0	\$117,000	\$117,000
EMS	\$22,000	\$0	\$22,000
Permissive Sales Tax	\$10,000	\$0	\$10,000

Care should be taken to see that transfers are recorded for the authorized amount in the Township's accounting records. The Township has posted adjustments to correct these matters which are reflected in the financial statements.

Officials Response:

The Township fiscal officer will record all transfers for the authorized amount in the Township's accounting records.

Finding 2007-05

Non Compliance/Significant Deficiency/Material Weakness

1981 Op. Atty Gen. 81-035 states that certain monies paid into the General Fund which are not derived from a general levy of current expenses are placed in the General Fund precisely because their use is not restricted pursuant to Ohio Revised Code Section 5705.10. Such monies may be used to pay debt charges provided that they have not been commingled with General Fund monies which may not be used for debt payments. Where otherwise unrestricted monies have been paid into the General Fund and have been commingled with restricted monies to the extent that the particular source from which the monies originated cannot be distinguished, such monies may be used to pay the debt charges only after they have been transferred to an appropriate fund pursuant to Ohio Revised Code Section 5705.14.

General Fund tax monies were deposited into the Debt Service Fund to pay debt service in both 2007 and 2006. The Township has posted adjustments to correct these matters which are reflected in the financial statements. Due to these adjustments, the Debt Service Fund had a negative fund balance of (\$17,938) and (\$14,893) in 2007 and 2006, respectively. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

MADISON TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

Officials Response:

The Township will deposit tax monies into the proper funds and will only use money in each fund to cover allowed expenses for that fund and not the expense of other funds.

Finding 2007-06

Budgetary Reporting - Significant Deficiency

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Township's fiscal officer did not post budgeted receipts, and any amendments made to them, to the accounting system.

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 4 to the financial statements in order to accurately present appropriations approved by the Township Trustees and only include budgeted receipts as certified by the County Auditor.

Officials Response:

The Township Trustees will approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor. The Township fiscal officer will not post these amendments until after the required approvals have been obtained. The Township fiscal officer will only record estimated receipts from the Certificate of Estimated Resources and amendments.

Finding 2007-07

Non-Compliance

Section 5705.41(D)(1), Revised Code, prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditures has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

MADISON TOWNSHIP
RICHLAND COUNTY
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

1. Then and Now Certificate – If the fiscal officer can certify that both at the time that the contract or order was made “then” and at the time that the fiscal officer is completing the certification “now” that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for the approval of expenditures by the Township.

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 certificate may, but need not be limited to a specific vendor. Only one blanket certification may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, food and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current fiscal year end. More than one super blanket certificate may be outstanding at a particular item for any line item appropriation.

Although the obligations paid by the Township had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance, this certification of available funds was not obtained prior to incurring obligations for 33% and 7% of transactions tested for 2007 and 2006, respectively, and there was not evidence of a “then and now” certificate being utilized. Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances. The Township did utilize “blanket” certificates, however 3% of the transactions tested in both 2007 and 2006 were issued to a single vendor but used to make purchases from multiple vendors.

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 funds 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” certifications should be used.

MADISON TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

Officials Response:

The Township will certify purchases to which Revised Code Section 5705.41(D) applies. This will include the fiscal officer signing the certification at the time the commitment incurs and posting approved purchase commitments to the proper appropriation code.

Finding 2007-08 *Non Compliance*

Section 5705.39, Revised Code, provides in part that total appropriations from each fund shall not exceed the total estimated resources.

During our budgetary testing, it was noted that total appropriations exceeded estimated resources in the following funds for the years ended December 31:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<u>2007</u>			
Road and Bridge	\$280,249	\$306,967	(\$26,718)
Fire District	\$796,359	\$1,378,150	(\$581,791)
Permissive Sales Tax	\$253,769	\$366,650	(\$112,881)
<u>2006</u>			
Motor Vehicle License Tax	\$35,819	\$40,792	(\$4,973)
Gasoline Tax	\$117,030	\$136,108	(\$19,078)
Road and Bridge	\$266,040	\$298,811	(\$32,771)
Fire District	\$920,751	\$937,288	(\$16,537)
Permissive Sales Tax	\$301,877	\$368,272	(\$66,395)
EMS	\$246,533	\$268,783	(\$22,250)

Officials Response:

The Township's fiscal officer will ask for an amendment to the appropriations from the Township Board in order for the total appropriations to not exceed estimated resources.

MADISON TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

Finding 2007-09

Non Compliance

Section 5705.36(A)(4), Revised Code, requires obtaining a reduced amended certificate of estimated resources if the amount of the deficiency will reduce available resources below the current level of appropriation.

During our budgetary testing it was noted that total appropriations exceeded actual resources in the following funds for the years ended December 31:

	Total Actual <u>Resources</u>	Total <u>Appropriations</u>	<u>Variance</u>
<u>2007</u>			
Permissive Sales Tax	\$317,307	\$366,650	(\$49,343)
Debt Service	(\$14,893)	\$6,000	(\$20,893)
<u>2006</u>			
Motor Vehicle License Tax	\$40,589	\$40,792	(\$203)
Fire District	\$840,224	\$937,288	(\$97,064)
Debt Service	\$1,543	\$71,459	(\$69,916)

Officials Response:

The Township's fiscal officer will ask for an amendment to the appropriations from the Township Board in order for the total appropriations to not exceed the actual resources of the Township.

MADISON TOWNSHIP
 RICHLAND COUNTY
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

Finding 2007-10 *Non Compliance*

Section 5705.41(B) Revised Code, requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

Our budgetary testing revealed that expenditures exceeded appropriations in the following funds for the years ended December 31:

	Total Expenditures	Total Appropriations	Variance
<u>2007</u>			
Fire Education	\$3,555	\$0	(\$3,555)
 <u>2006</u>			
Road and Bridge	\$356,809	\$298,811	(\$57,998)
Fire Education	\$1,643	\$0	(\$1,643)

Officials Response:

The Township's fiscal officer will ask for an amendment to the appropriations from the Township Board in order for the expenditures not to exceed the appropriations.

MADISON TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2005-01	Bank reconciliations not reconciled in a timely manner.	No	Not Corrected, reissued as Finding 2007-01



Mary Taylor, CPA
Auditor of State

MADISON TOWNSHIP

RICHLAND 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
FEBRUARY 25, 2010