

MADISON TOWNSHIP

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2005 AND DECEMBER 31, 2004



Mary Taylor, CPA

Auditor of State

Members of Council
Madison Township
843 Expressview Drive
Mansfield, Ohio 44905

We have reviewed the *Independent Auditor's Report* of Madison Township, Richland County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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's Office (AOS). 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 AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. 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 AOS 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

May 8, 2007

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**MADISON TOWNSHIP, OHIO
RICHLAND COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

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INDEPENDENT AUDITOR'S REPORT

Madison Township Trustees
Madison Township, Richland County
817 Expressview Drive
Mansfield, Ohio 44905

We have audited the accompanying financial statements of Madison Township, Richland County (the Township), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 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, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 AUDITOR'S 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, 2005 and 2004 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, 2005 and 2004 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, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2006 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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, INC.
Certified Public Accountants

December 20, 2006

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, 2005

	General	Special Revenue	Debt Service	Capital Project	Total (Memorandum Only)
Cash Receipts					
Local Taxes	\$65,000	\$818,987	\$15,151	\$0	\$899,138
Charges for Services	0	209,912	0	8,659	218,571
Special Assessments	0	0	0	26,781	26,781
Intergovernmental	215,494	583,946	0	0	799,440
Licenses, Permits and Fees	13,796	0	0	0	13,796
Fines, Forfeitures and Penalties	150	0	0	0	150
Interest	2,989	624	0	0	3,613
Other	5,254	32,070	0	0	37,324
Total Cash Receipts	302,683	1,645,539	15,151	35,440	1,998,813
Cash Disbursements					
General Government	210,530	12,249	0	0	222,779
Public Safety	0	941,294	0	0	941,294
Public Works	0	511,355	0	0	511,355
Health	0	26,098	0	0	26,098
Human Services	0	96,210	0	0	96,210
Contract Services	0	0	0	29,029	29,029
Capital Outlay	4,409	29,998	0	0	34,407
Debt Service:					
Redemption of Principal	0	0	29,300	0	29,300
Interest and Fiscal Charges	0	0	1,215	0	1,215
Total Cash Disbursements	214,939	1,617,204	30,515	29,029	1,891,687
Total Receipts Over/(Under) Disbursements	87,744	28,335	(15,364)	6,411	107,126
Other Financing Receipts/(Disbursements)					
Operating Transfers - In	0	0	15,000	0	15,000
Operating Transfers - Out	(15,000)	0	0	0	(15,000)
Total Other Financing Receipts/ (Disbursements)	(15,000)	0	15,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	72,744	28,335	(364)	6,411	107,126
Fund Cash Balances, January 1	72,545	408,209	1,823	15,716	498,293
Fund Cash Balances, December 31	\$145,289	\$436,544	\$1,459	\$22,127	\$605,419
Reserve For Encumbrances	\$9,051	\$45,329	\$0	\$0	\$54,380

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, 2004

	General	Special Revenue	Debt Service	Capital Project	Total (Memorandum Only)
Cash Receipts					
Local Taxes	\$78,417	\$793,826	\$0	\$0	\$872,243
Charges for Services	0	218,784	0	7,625	226,409
Special Assessments	0	0	0	25,125	25,125
Intergovernmental	91,422	586,062	0	0	677,484
Licenses, Permits and Fees	14,931	0	0	0	14,931
Fines, Forfeitures and Penalties	388	0	0	0	388
Interest	1,503	196	0	0	1,699
Other	3,960	34,032	0	0	37,992
Total Cash Receipts	190,621	1,632,900	0	32,750	1,856,271
Cash Disbursements					
General Government	175,976	17,943	0	0	193,919
Public Safety	0	891,618	0	0	891,618
Public Works	0	446,032	0	0	446,032
Health	0	23,973	0	0	23,973
Human Services	0	59,701	0	0	59,701
Contract Services	0	0	0	24,780	24,780
Capital Outlay	3,312	129,684	0	0	132,996
Debt Service:					
Principal	0	0	29,300	0	29,300
Interest and Fiscal Charges	0	0	2,825	0	2,825
Total Cash Disbursements	179,288	1,568,951	32,125	24,780	1,805,144
Total Receipts Over/(Under) Disbursements	11,333	63,949	(32,125)	7,970	51,127
Other Financing Receipts/(Disbursements)					
Operating Transfers - In	0	4,902	13,500	0	18,402
Operating Transfers - Out	(18,402)	0	0	0	(18,402)
Total Other Financing Receipts/ (Disbursements)	(18,402)	4,902	13,500	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,069)	68,851	(18,625)	7,970	51,127
Fund Cash Balances, January 1, Restated (See Note 2)	79,614	339,358	20,448	7,746	447,166
Fund Cash Balances, December 31	\$72,545	\$408,209	\$1,823	\$15,716	\$498,293
Reserve For Encumbrances	\$3,877	\$51,973	\$0	\$0	\$55,850

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, 2005 AND DECEMBER 31, 2004

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 - The General 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, 2005 AND DECEMBER 31, 2004

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 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.

Capital Projects Fund – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township has the following significant capital projects fund:

Lighting Assessment Fund – This fund is used to account for the cost of lighting improvements that will be paid by the benefiting property owners.

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.

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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

A summary of 2005 and 2004 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.

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, 2004, it was noted that the EMS Memorial Fund was not included on the books of the Township. Accordingly, the special revenue fund was understated in 2003. The result of this change, and effect on fund balances, are summarized below:

	Special Revenue
Fund Balance at December 31, 2003	\$337,439
EMS Memorial Fund	<u>1,919</u>
Restated Fund Balance January 1, 2004	<u><u>\$339,358</u></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>2005</u>	<u>2004</u>
Demand Deposits	\$484,889	\$380,210
Money Market	11,520	12,175
STAR Ohio	<u>109,010</u>	<u>105,908</u>
Total Deposits and Investments	<u><u>\$605,419</u></u>	<u><u>\$498,293</u></u>

Deposits

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

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

3. **EQUITY IN POOLED CASH AND INVESTMENTS** (continued)

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.

4. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and December 31, 2004 was as follows:

2005 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$188,818	\$302,683	\$113,865
Special Revenue	1,513,689	1,645,539	131,850
Debt Service	70,000	30,151	(39,849)
Capital Projects	30,000	35,440	5,440
Total	\$1,802,507	\$2,013,813	\$211,306

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$258,481	\$238,990	\$19,491
Special Revenue	1,867,694	1,662,533	205,161
Debt Service	71,823	30,515	41,308
Capital Projects	45,716	29,029	16,687
Total	\$2,243,714	\$1,961,067	\$282,647

2004 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$192,600	\$190,621	(\$1,979)
Special Revenue	1,599,699	1,637,802	38,103
Debt Service	70,000	13,500	(56,500)
Capital Projects	29,000	32,750	3,750
Total	\$1,891,299	\$1,874,673	(\$16,626)

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

4. **BUDGETARY ACTIVITY** (continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$266,646	\$201,567	\$65,079
Special Revenue	1,902,441	1,620,924	281,517
Debt Service	90,448	32,125	58,323
Capital Projects	36,745	24,780	11,965
 Total	 <u>\$2,296,280</u>	 <u>\$1,879,396</u>	 <u>\$416,884</u>

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. 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.

6. **DEBT**

General Obligation Notes to KeyBank were outstanding as follows:

	Issue Date	Maturity Date	Original Amount	Interest Rate	Balance - Principal	
					2005	2004
Building Purchase	2001	2005	\$131,500	3.52%	\$13,150	\$39,450
Improvements and Furniture	2002	2007	15,000	2.9%	6,000	9,000
Total					<u>\$19,150</u>	<u>\$48,450</u>

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

6. **DEBT** (continued)

Amortization of principal is scheduled as follows at December 31, 2005:

Year Ending December 31,	General Obligation Notes
2006	\$16,150
2007	3,000
Total	<u>\$19,150</u>

7. **CAPITAL LEASES**

The Township has entered into capital lease agreements to finance the acquisition of ambulances, a fire truck, a dump truck, and a leaf loader. 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, 2005:

Year Ending December 31,	2003 Fire Truck Lease	2004 Ambulance Lease	2005 Dump Truck Lease	2005 Leaf Loader Lease
2006	\$63,759	\$27,889	\$20,392	\$6,803
2007	21,253	27,889	20,392	6,803
2008	0	23,240	20,392	6,803
2009	0	0	20,392	6,803
2010	0	0	20,392	0
Total Minimum Lease Payments	85,012	79,018	101,960	27,212
Less Amounts Representing Interest	(2,791)	(5,328)	(12,447)	(2,731)
Present Value of Future Minimum Lease Payments	<u>\$82,221</u>	<u>\$73,690</u>	<u>\$89,513</u>	<u>\$24,481</u>

8. **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 2005 and 2004 OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of OP&F participant wages. OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries.

MADISON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

9. **RISK MANAGEMENT**

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.

10. **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 Trustees
Madison Township, Richland County
817 Expressview Drive
Mansfield, Ohio 44905

We have audited the accompanying financial statements of Madison Township, Richland County (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 20, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 2005-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

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* (continued)

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated December 20, 2006.

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

December 20, 2006

MADISON TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2005-1

Material Weakness

Bank Reconciliation

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 difference 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, 2004 through December 31, 2005, the Townships balance of the bank did not properly reconcile with the balance of the cash and investments in the accounting records. For all of 2004 and 2005 the Township did not include the activity of the EMS Memorial account on the books of the Township or as part of the bank balance on the reconciliation's. Also, at December 31, 2005, there was an unreconciled difference of \$794.43, with the bank showing more cash and investments then the accounting records.

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

The Township should perform complete monthly bank reconciliation's in a timely manner. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month-to-month. Also, all reconciling matters should be appropriately documented.

MADISON TOWNSHIP
RICHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004

<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>
2003-01	EMS billing and receipts couldn't be reconciled.	Yes	Finding No Longer Valid
2003-02	OCR Section 5705.41(B) expenditures and encumbrances exceeded appropriations.	Yes	Finding No Longer Valid



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
MAY 22, 2007**