



**MADISON TOWNSHIP  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**MADISON TOWNSHIP  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Madison Township  
Lake County  
2065 Hubbard Road  
Madison, Ohio 44057

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, Lake County, Ohio, as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 20, 2000

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**MADISON TOWNSHIP  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES -  
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$234,578	\$1,556,838	\$1,791,416
Intergovernmental	877,173	459,627	1,336,800
Special Assessment	0	76,575	76,575
Licenses, Permits, and Fees	27,303	2,707	30,010
Fines, Forfeitures, and Penalties	55,444	0	55,444
Earnings on Investments	95,703	9,465	105,168
Other Revenue	65,997	67,747	133,744
<b>Total Cash Receipts</b>	<u>1,356,198</u>	<u>2,172,959</u>	<u>3,529,157</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	527,520	0	527,520
Public Safety	339,468	1,214,533	1,554,001
Public Works	17,606	835,259	852,865
Health	22,979	6,704	29,683
Conservation - Recreation	200,752	0	200,752
Capital Outlay	0	52,780	52,780
Miscellaneous	0	38,291	38,291
Debt Service:			
Principal Payments	40,000	20,000	60,000
Interest Payments	1,920	0	1,920
<b>Total Cash Disbursements</b>	<u>1,150,245</u>	<u>2,167,567</u>	<u>3,317,812</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>205,953</u>	<u>5,392</u>	<u>211,345</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Other Sources	2,621	0	2,621
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>2,621</u>	<u>0</u>	<u>2,621</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	208,574	5,392	213,966
Fund Cash Balances, January 1, 1999	<u>1,092,977</u>	<u>722,093</u>	<u>1,815,070</u>
<b>Fund Cash Balances, December 31, 1999</b>	<u><b>\$1,301,551</b></u>	<u><b>\$727,485</b></u>	<u><b>\$2,029,036</b></u>
Reserve for Encumbrances, December 31, 1999	<u>\$0</u>	<u>\$33,463</u>	<u>\$33,463</u>

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

**MADISON TOWNSHIP  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE -  
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<b>Non-Expendable Trust Fund</b>
<b>Operating Receipts:</b>	
Interest	\$2
Total Operating Receipts	2
<b>Operating Disbursements:</b>	
Supplies and Materials	10
Total Operating Disbursements	10
<b>NET INCOME(LOSS)</b>	<b>(8)</b>
Fund Cash Balances, January 1, 1999	203
<b>Fund Cash Balances, December 31, 1999</b>	<b>\$195</b>
Reserve for Encumbrances December 31, 1999	\$0

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



**MADISON TOWNSHIP  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES -  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$201,064	\$1,570,641	\$1,771,705
Intergovernmental	484,465	470,797	955,262
Charges for Services	87,332	0	87,332
Special Assessments	0	78,539	78,539
Licenses, Permits, and Fees	39,043	15,191	54,234
Fines, Forfeitures, and Penalties	58,764	0	58,764
Earnings on Investments	77,233	7,668	84,901
Other Revenue	156,540	59,984	216,524
	<u>1,104,441</u>	<u>2,202,820</u>	<u>3,307,261</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	506,765	0	506,765
Public Safety	254,283	1,273,228	1,527,511
Public Works	15,374	735,192	750,566
Health	51,355	0	51,355
Conservation - Recreation	159,280	0	159,280
Capital Outlay	0	20,000	20,000
Miscellaneous	0	11,986	11,986
Debt Service:			
Principal Payments	40,000	10,000	50,000
Interest Payments	1,920	0	1,920
	<u>1,028,977</u>	<u>2,050,406</u>	<u>3,079,383</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over/(Under) Disbursements	<u>75,464</u>	<u>152,414</u>	<u>227,878</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In	0	24,164	24,164
Transfers-Out	(24,164)	0	(24,164)
Other Sources	42,024	0	42,024
	<u>17,860</u>	<u>24,164</u>	<u>42,024</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	93,324	176,578	269,902
Fund Cash Balances, January 1, 1998	<u>999,653</u>	<u>545,515</u>	<u>1,545,168</u>
<b>Fund Cash Balances, December 31, 1998</b>	<b><u>\$1,092,977</u></b>	<b><u>\$722,093</u></b>	<b><u>\$1,815,070</u></b>
Reserve for Encumbrances, December 31, 1998	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**MADISON TOWNSHIP  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE -  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<b>Non-Expendable Trust Fund</b>
<b>Operating Disbursements:</b>	
Supplies and Materials	\$10
Total Operating Disbursements	10
<b>NET INCOME(LOSS)</b>	<b>(10)</b>
Fund Cash Balances, January 1, 1998	213
<b>Fund Cash Balances, December 31, 1998</b>	<b>\$203</b>
Reserve for Encumbrances December 31, 1998	\$0

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

**MADISON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Madison Township, Lake 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, cemetery maintenance, and police. Fire protection and emergency medical services are provided by the Madison Fire District.

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 (i.e., 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**

The Township invested in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. 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.

**2. 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 for constructing, maintaining and repairing Township roads and bridges.

Permissive Motor Vehicle License Tax - This fund receives intergovernmental revenue from the county for maintaining and repairing Township roads.

Police District Fund - This fund receives property tax money to provide police protection to the Township residents.

**MADISON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Fiduciary Fund (Non-Expendable Trust)**

This fund is used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. The Township had the following Fiduciary Fund:

King Bequest Fund - This fund is used for the purpose of maintaining certain grave sites in the Township Cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**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. Unpaid Vacation and Sick Leave**

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

**MADISON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

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

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$10,115	\$136,390
Total deposits	10,115	136,390
STAR Ohio	2,019,116	1,678,883
Total investments	2,019,116	1,678,883
Total deposits and investments	\$2,029,231	\$1,815,273

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,358,413	\$1,358,819	\$406
Special Revenue	2,172,959	2,172,959	0
Fiduciary	2	2	0
Total	\$3,531,374	\$3,531,780	\$406

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,650,660	\$1,150,245	\$500,415
Special Revenue	2,790,223	2,201,030	589,193
Fiduciary	10	10	0
Total	\$4,440,893	\$3,351,285	\$1,089,608

**MADISON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$895,252	\$1,146,465	\$251,213
Special Revenue	1,940,905	2,226,984	286,079
Fiduciary	5	0	(5)
Total	<u>\$2,836,162</u>	<u>\$3,373,449</u>	<u>\$537,287</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,312,268	\$1,053,141	\$259,127
Special Revenue	2,523,345	2,050,406	472,939
Fiduciary	10	10	0
Total	<u>\$3,835,623</u>	<u>\$3,103,557</u>	<u>\$732,066</u>

Ohio Rev. Code Section 5705.39 states total appropriations should not exceed total estimated revenue. As of December 31, 1998, the Special Revenue Funds' Police District and Senior Center had total appropriations in excess of estimated revenue plus carryover balances by \$140,794 and \$119,620, respectively.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**MADISON TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Service Garage Construction Note	\$ 40,000	4.8%
Ohio Public Works Loan	<u>100,000</u>	0%
Total Principal Outstanding	<u>\$140,000</u>	

The Ohio Public Works Loan was issued in 1994 was for the Lake Breeze Park Subdivision improvements. The term of the loan was 10 years.

The Service Garage Construction Note was issued in 1997. The loan will be repaid in 2000.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2000	\$60,000	\$3,840	\$63,840
2001	20,000	0	20,000
2002	20,000	0	20,000
2003	20,000	0	20,000
2004	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total	<u>\$140,000</u>	<u>\$3,840</u>	<u>\$143,840</u>

**6. RETIREMENT SYSTEMS**

The Public Employees Retirement System (PERS) of Ohio is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 1998 and 1999, members of PERS contributed 8.5% of their gross salaries and law enforcement employees contributed 9%. The Township contributed an amount equal to 13.55% of regular participants' gross salaries and 16.70% of the law enforcement participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Commercial automobile insurance
- Public officials liability
- Law Enforcement liability

The Township also provides health insurance coverage to full-time employees through a private carrier.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Madison Township  
Lake County  
2065 Hubbard Road  
Madison, Ohio 44057

To the Board of Trustees:

We have audited the financial statements of Madison Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated April 20, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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 grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-40843-001.

We also noted a certain immaterial instance of noncompliance that we have reported to the management of the Township in a separate letter dated April 20, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, 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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 20, 2000.

Madison Township  
Lake County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

This report is intended 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 these specified parties.

**Jim Petro**  
Auditor of State

April 20, 2000

**MADISON TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND DECEMBER 31, 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1999-40843-001</b>
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Ohio Rev. Code Section 5705.39 states total appropriations should not exceed total estimated revenue. As of December 31, 1998, the Special Revenue Funds' Police District and Senior Center had total appropriations in excess of estimated revenue plus carryover balances by \$140,794 and \$119,620, respectively.

We recommend the Township not appropriate in excess of its estimated revenues and make adjustments, as appropriate, to the certificate and/or the appropriations throughout the year to ensure compliance with the above requirement.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**MADISON TOWNSHIP**

**LAKE 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 25, 2000**