



Dave Yost • Auditor of State

**MADISON TOWNSHIP
LAKE COUNTY
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Governmental Fund Types - For the Year Ended December 31, 2016	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) – Fiduciary Fund Type - For the Year Ended December 31, 2016	4
Notes to the Financial Statements 2016	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Governmental Fund Types - For the Year Ended December 31, 2015	12
Notes to the Financial Statements 2015	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Madison Township
Lake County
2065 Hubbard Road
Madison, Ohio 44057

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Madison Township, Lake County, (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section

117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Madison Township, Lake County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2017, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 15, 2017

MADISON TOWNSHIP
Lake County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$302,839	\$3,001,368	\$0	\$3,304,207
Charges for Services		65,546		65,546
Licenses, Permits and Fees	159,121	230		159,351
Fines and Forfeitures	17,935			17,935
Intergovernmental	459,596	779,031		1,238,627
Special Assessments		89,898		89,898
Earnings on Investments	25,184	2,114		27,298
Miscellaneous	101,078	23,967		125,045
<i>Total Cash Receipts</i>	<u>1,065,753</u>	<u>3,962,154</u>	<u>0</u>	<u>5,027,907</u>
Cash Disbursements				
Current:				
General Government	832,485			832,485
Public Safety	41,298	2,273,498		2,314,796
Public Works		1,196,515		1,196,515
Health	26,997	7,000		33,997
Conservation-Recreation	62,473			62,473
Capital Outlay		177,968		177,968
Debt Service:				
Principal Retirement		5,000		5,000
<i>Total Cash Disbursements</i>	<u>963,253</u>	<u>3,659,981</u>	<u>0</u>	<u>4,623,234</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>102,500</u>	<u>302,173</u>	<u>0</u>	<u>404,673</u>
Other Financing Receipts				
Sale of Capital Assets		84,223		84,223
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>84,223</u>	<u>0</u>	<u>84,223</u>
<i>Net Change in Fund Cash Balances</i>	102,500	386,396	0	488,896
<i>Fund Cash Balances, January 1</i>	<u>2,141,604</u>	<u>2,297,177</u>	<u>1,773</u>	<u>4,440,554</u>
Fund Cash Balances, December 31				
Restricted		2,683,573	1,773	2,685,346
Assigned	245,531			245,531
Unassigned (Deficit)	1,998,573			1,998,573
<i>Fund Cash Balances, December 31</i>	<u>\$2,244,104</u>	<u>\$2,683,573</u>	<u>\$1,773</u>	<u>\$4,929,450</u>

See accompanying notes to the basic financial statements

Madison Township
Lake County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2016

	Fiduciary Fund Type
Operating Cash Receipts	Agency
<i>Total Operating Cash Receipts</i>	0
<i>Total Operating Cash Disbursements</i>	0
<i>Operating Income (Loss)</i>	0
Non-Operating Receipts (Disbursements)	
Fire Escrow Received	86,000
<i>Total Non-Operating Receipts (Disbursements)</i>	86,000
<i>Net Change in Fund Cash Balances</i>	86,000
<i>Fund Cash Balances, January 1</i>	0
<i>Fund Cash Balances, December 31</i>	\$86,000

See accompanying notes to the basic financial statements

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison Township, Lake County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, parks, cemetery maintenance and police protection.

The Township participates in a public entity risk pool and is part of a Jointly Governed Organization. Notes 6 and 10 provides additional information for these entities:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA) Note 6

Jointly Governed Organization:
Madison Joint Fire District - Note 10

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund: The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds: These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Police District Fund: This fund is used to account for a portion of property tax revenue received and used for the purpose of providing police protection services for the Township.

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Capital Project Fund: This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Miscellaneous Capital Projects Fund – This fund receives a grant and other funds for major improvements to Township roads and other projects.

Fiduciary Fund: An Agency fund is purely custodial in nature and is used to hold resources for individuals, organizations or other governments. The Township disburses this fund as directed by the individual, organization or other government.

Fire Loss Claims Fund – This fund holds insurance proceeds as a security against the cost of removing, repairing or securing damaged property.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. 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 approve estimated resources.

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

A summary of 2016 budgetary activity appears in Note 3.

Accumulated Leave

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

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable: The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

Restricted: Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed: Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned: Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$962,349	\$1,065,753	\$103,404
Special Revenue	3,777,881	4,046,377	268,496
Fiduciary (Agency Fund)	0	86,000	86,000
Total	\$4,740,230	\$5,198,130	\$457,900

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,223,812	\$963,253	\$260,559
Special Revenue	4,174,274	3,659,981	514,293
Total	\$5,398,086	\$4,623,234	\$834,852

Note 4 – Deposits and Investments

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

	2016
Demand deposits	\$2,220,481
Certificates of deposit	2,793,961
Total deposits	\$5,014,442
Investment - STAR Ohio	\$1,008
Total deposits and investments	\$5,015,450

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 - Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation. The Township pays the Ohio Bureau of Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$30,000

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA 2016
\$59,949

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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

Note 7 - Defined Benefit Pension Plans

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

The Ohio Revised Code also prescribes contribution rates.

OPERS – Law Enforcement participants contributed 13.0% of their wages and the Township contributed an amount equal to 18.1% of full-time police members' wages.

OPERS – Local members contributed 10.0% of their wages and the Township contributed an amount equal to 14.0% of participants' gross salaries.

The Township has paid all contributions required through December 31, 2016.

Social Security: Fourteen (14) Board of Zoning Appeal, Zoning and Civil Service Commission Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>
OPWC - Dunbar/Bathgate Storm System	87,500
	<u>\$87,500</u>

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

The Township entered into a loan agreement during 2010 for the Dunbar/Bathgate Area Storm Trunk System Phase III Project. The project was completed in 2014. The Loan agreement was made with Ohio Public Works Commission in the amount of \$100,000 at an interest rate of 0.00% for a term of 20 years payable semi-annually. This is paid from the Gasoline Tax Fund.

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

Year ending December 31:	Dunbar/Bathgate Area Storm System-OPWC
2017	\$5,000
2018	5,000
2019	5,000
2020	5,000
2021	5,000
2022-2026	25,000
2027-2031	15,000
2032-2034	22,500
Total	\$87,500

Note 10 – Jointly Governed Organization

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison Joint Fire District, Lake County, (the District) as a body corporate and politic. A six-member Board of Trustees governs the District. Board members consist of the three trustees from Madison Township and three council members from the Village of Madison. The District provides fire protection and rescue services for the communities of Madison Township and the Village of Madison.

Financial information can be obtained by contacting Joanne Clapp, Fiscal Officer, 840 River Street, Madison, OH 44057-9570.

MADISON TOWNSHIP
Lake County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$301,468	\$2,953,231	\$0	\$3,254,699
Charges for Services		55,664		55,664
Licenses, Permits and Fees	146,145	372		146,517
Fines and Forfeitures	21,260			21,260
Intergovernmental	301,309	838,693		1,140,002
Special Assessments		89,455		89,455
Earnings on Investments	25,232	2,393		27,625
Miscellaneous	108,274	34,704		142,978
<i>Total Cash Receipts</i>	<u>903,688</u>	<u>3,974,512</u>	<u>0</u>	<u>4,878,200</u>
Cash Disbursements				
Current:				
General Government	727,830			727,830
Public Safety		2,116,096		2,116,096
Public Works		1,374,757		1,374,757
Health	12,176	4,402		16,578
Conservation-Recreation	184,370			184,370
Capital Outlay		410,380		410,380
Debt Service:				
Principal Retirement		5,000		5,000
<i>Total Cash Disbursements</i>	<u>924,376</u>	<u>3,910,635</u>	<u>0</u>	<u>4,835,011</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,688)</u>	<u>63,877</u>	<u>0</u>	<u>43,189</u>
Other Financing Receipts				
Sale of Capital Assets	26,908	22,869		49,777
<i>Total Other Financing Receipts (Disbursements)</i>	<u>26,908</u>	<u>22,869</u>	<u>0</u>	<u>49,777</u>
<i>Net Change in Fund Cash Balances</i>	6,220	86,746	0	92,966
<i>Fund Cash Balances, January 1</i>	<u>2,135,384</u>	<u>2,210,431</u>	<u>1,773</u>	<u>4,347,588</u>
Fund Cash Balances, December 31				
Restricted		2,297,177	1,773	2,298,950
Assigned	303,269			303,269
Unassigned (Deficit)	1,838,335			1,838,335
<i>Fund Cash Balances, December 31</i>	<u>\$2,141,604</u>	<u>\$2,297,177</u>	<u>\$1,773</u>	<u>\$4,440,554</u>

See accompanying notes to the basic financial statements

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison Township, Lake County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, parks, cemetery maintenance and police protection.

The Township participates in a public entity risk pool and is part of a Jointly Governed Organization. Notes 6 and 10 provides additional information for this entity:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA) Note 6

Jointly Governed Organization:
Madison Joint Fire District - Note 10

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund: The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds: These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Police District Fund: This fund is used to account for a portion of property tax revenue received and used for the purpose of providing police protection services for the Township.

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Capital Project Fund: This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Miscellaneous Capital Projects Fund – This fund receives a grant and other funds for major improvements to Township roads and other projects.

Fiduciary Fund: An Agency fund is purely custodial in nature and is used to hold resources for individuals, organizations or other governments. The Township disburses this fund as directed by the individual, organization or other government.

Fire Loss Claims Fund – This fund holds insurance proceeds as a security against the cost of removing, repairing or securing damaged property. There were no transactions or balances to report in 2015.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. 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 approve estimated resources.

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

A summary of 2015 budgetary activity appears in Note 3.

Accumulated Leave

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

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable: The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

Restricted: Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed: Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned: Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$930,466	\$930,596	\$130
Special Revenue	3,997,369	3,997,381	12
Total	\$4,927,835	\$4,927,977	\$142

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,394,792	\$924,376	\$470,416
Special Revenue	4,232,692	3,910,635	322,057
Total	\$5,627,484	\$4,835,011	\$852,473

Note 4 – Deposits and Investments

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

	2015
Demand deposits	\$1,673,871
Certificates of deposit	2,765,680
Total deposits	\$4,439,551
Investment - STAR Ohio	\$1,003
Total deposits and investments	\$4,440,554

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Note 6 - Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation. The Township pays the Ohio Bureau of Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015:

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$38,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA 2015
\$71,633

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

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

Note 7 - Defined Benefit Pension Plans

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

The Ohio Revised Code also prescribes contribution rates.

OPERS – Law Enforcement participants contributed 13.0% of their wages and the Township contributed an amount equal to 18.1% of full-time police members' wages.

OPERS – Local members contributed 10.0% of their wages and the Township contributed an amount equal to 14.0% of participants' gross salaries.

The Township has paid all contributions required through December 31, 2015.

Social Security: Twelve (12) Board of Zoning Appeal, Zoning and Civil Service Commission Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions through December 31, 2015.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>
OPWC - Dunbar/Bathgate Storm System	92,500
	<u>\$92,500</u>

The Township entered into a loan agreement during 2010 for the Dunbar/Bathgate Area Storm Trunk System Phase III Project. The project was completed in 2014. The Loan agreement was made with Ohio Public Works Commission in the amount of \$100,000 at an interest rate of 0.00% for a term of 20 years payable semi-annually. This is paid from the Gasoline Tax Fund.

Madison Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

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

Year ending December 31:	<u>Dunbar/Bathgate Area Storm System-OPWC</u>
2016	\$5,000
2017	5,000
2018	5,000
2019	5,000
2020	5,000
2021-2025	25,000
2026-2030	25,000
2031-2034	17,500
Total	<u><u>\$92,500</u></u>

Note 10 – Jointly Governed Organization

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison Joint Fire District, Lake County, (the District) as a body corporate and politic. A six-member Board of Trustees governs the District. Board members consist of the three trustees from Madison Township and three council members from the Village of Madison. The District provides fire protection and rescue services for the communities of Madison Township and the Village of Madison.

Financial information can be obtained by contacting Joanne Clapp, Fiscal Officer, 840 River Street, Madison, OH 44057-9570.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Madison Township
Lake County
2065 Hubbard Road
Madison, Ohio 44057

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of Madison Township, Lake County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

August 15, 2017



Dave Yost • Auditor of State

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
SEPTEMBER 5, 2017**