



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

MADISON TOWNSHIP
FRANKLIN COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017
Fiscal Years Audited Under GAGAS: 2018 and 2017

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

Board of Trustees
Madison Township
4575 Madison Lane
Groveport, Ohio 43125

We have reviewed the *Independent Auditor's Report* of Madison Township, Franklin County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. 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.

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.



Keith Faber
Auditor of State
Columbus, Ohio

September 4, 2019

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Madison Township
Franklin County, Ohio
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For the Fiscal Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Madison Township
Franklin County
4575 Madison Lane
Groveport, Ohio 43125

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, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

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 such 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, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Madison Township, Franklin County as of December 31, 2018 and 2017, 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 June 15, 2019, 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.



BHM CPA Group, Inc.
Piketon, Ohio
June 15, 2019

**MADISON TOWNSHIP
FRANKLIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 440,763	\$ 12,162,895	\$ -	\$ -	\$ 12,603,658
Charges for Services	-	1,047,634	-	-	1,047,634
Licenses, Permits and Fees	153,188	-	-	-	153,188
Intergovernmental	314,060	1,466,027	-	-	1,780,087
Special Assessments	3,628	155,215	-	-	158,843
Fines, Licenses, and Permits	21,362	5,445	-	-	26,807
Earnings on Investments	168,340	4,314	-	1,052	173,706
Miscellaneous	26,101	239,627	-	-	265,728
Total Cash Receipts	<u>1,127,442</u>	<u>15,081,157</u>	<u>-</u>	<u>1,052</u>	<u>16,209,651</u>
Cash Disbursements:					
Current:					
General Government	517,193	287	-	-	517,480
Public Safety	-	11,050,597	-	-	11,050,597
Public Works	262,163	436,037	-	-	698,200
Health	67,463	-	-	-	67,463
Human Services	7,000	-	-	-	7,000
Conservation-Recreation	136,856	-	-	-	136,856
Capital Outlay	7,989	1,158,733	-	932,327	2,099,049
Debt Service:					
Principal Retirement	-	-	324,124	-	324,124
Interest and Fiscal Charges	-	-	60,876	-	60,876
Total Cash Disbursements	<u>998,664</u>	<u>12,645,654</u>	<u>385,000</u>	<u>932,327</u>	<u>14,961,645</u>
Excess of Receipts Over/ (Under) Disbursements	128,778	2,435,503	(385,000)	(931,275)	1,248,006
Other Financing Receipts/ (Disbursements):					
Transfers In	35,724	-	385,000	-	420,724
Transfers Out	(19)	(420,724)	-	-	(420,743)
Sale of Capital Assets	284	34,654	-	-	34,938
Total Other Financing Receipts/ (Disbursements)	<u>35,989</u>	<u>(386,070)</u>	<u>385,000</u>	<u>-</u>	<u>34,919</u>
Net Change in Fund Cash Balances	164,767	2,049,433	-	(931,275)	1,282,925
Fund Cash Balances, January 1	393,825	7,516,651	-	934,505	8,844,981
Fund Cash Balances, December 31					
Restricted	-	9,566,084	-	3,230	9,569,314
Unassigned	558,592	-	-	-	558,592
Fund Cash Balances, December 31	<u>\$ 558,592</u>	<u>\$ 9,566,084</u>	<u>\$ -</u>	<u>\$ 3,230</u>	<u>\$ 10,127,906</u>

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

**MADISON TOWNSHIP
FRANKLIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Agency Funds</u>
Non-Operating Receipts (Disbursements):	
Transfer In	<u>19</u>
Total Non-Operating Receipts (Disbursements)	<u>19</u>
Net Change in Fund Cash Balances	19
Fund Cash Balances, January 1	<u>-</u>
Fund Cash Balances, December 31	<u>\$ 19</u>

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

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison Township, Franklin County, Ohio (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, fire protection, police protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provide additional information for this entity. The organization is:

Public Entity Risk Pool:

OTARMA is a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members.

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 (regulatory cash basis) for all governmental fund types.

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.

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

Fire District Fund This fund receives fire levy funds for providing fire protection to Township residents.

Police District Fund This fund receives police levy funds for providing protection to Township residents.

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for the Township's unclaimed funds.

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 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-

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2018 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
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$938,845	\$1,163,450	\$224,605
Special Revenue	14,039,304	15,115,811	1,076,507
Debt Service	385,000	385,000	0
Capital Projects	0	1,052	1,052
Agency	0	19	19
Total	\$15,363,149	\$16,665,332	\$1,302,183

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,299,942	\$998,683	\$301,259
Special Revenue	16,386,300	13,066,378	\$3,319,922
Debt Service	385,000	385,000	\$0
Capital Projects	0	932,327	(\$932,327)
Total	\$18,071,242	\$15,382,388	\$2,688,854

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:

	2018
Demand deposits	\$1,802,088
STAR Ohio	8,325,837
Total deposits	10,127,925

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

Investments

Investments in STAR Ohio and mutual funds 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

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 - Property Taxes (Continued)

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 20th.

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

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

Risk Pool Membership

The (Township) is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (Township's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plans

The Townships' full time Firefighter's belong to the Police and Fire Pension Fund (OP&F). Law Enforcement and other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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. For 2018, OP&F participants contributed 12.25% of their wages. The Township contributed an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2018. For 2018, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2018, Law Enforcement OPERS members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 - Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 10- Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Note	<u>\$1,965,876</u>	2.9%
Total	<u>\$1,965,876</u>	

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10- Debt (Continued)

In 2017, the Township entered into a note agreement with Vinton County Bank for the purpose of constructing, furnishing and equipping a new fire station. This note was issued at an interest rate of 2.9% and matures in 2026. During 2018, the Township made loan payments totaling \$385,000.

In 2017, Council elected to make payments toward this note from the Special Revenue- Fire Fund. In 2018, Council elected to begin making payments towards this note from the Township's Debt Service Fund. The Township has decided to make all subsequent debt payments out of the Debt Service Fund until the debt matures.

Amortization

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

Year Ending December 31:	Fire Truck Note
2019	290,030
2020	293,360
2021	291,400
2022	294,295
2023	291,900
2024-2028	889,300
Total	<u>\$2,350,285</u>

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**MADISON TOWNSHIP
FRANKLIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 381,583	\$ 11,519,820	\$ -	\$11,901,403
Charges for Services	217	851,931	-	852,148
Licenses, Permits and Fees	143,273	-	-	143,273
Intergovernmental	300,680	1,666,574	-	1,967,254
Special Assessments	-	161,564	-	161,564
Fines, Licenses, and Permits	21,868	8,150	-	30,018
Earnings on Investments	51,818	2,624	-	54,442
Miscellaneous	22,091	126,180	-	148,271
	<u>921,530</u>	<u>14,336,843</u>	<u>-</u>	<u>15,258,373</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	562,016	-	-	562,016
Public Safety	-	10,160,460	-	10,160,460
Public Works	264,963	385,905	-	650,868
Health	71,348	-	-	71,348
Human Services	162,877	-	-	162,877
Capital Outlay	7,380	1,271,837	1,565,495	2,844,712
Debt Service:				
Principal Retirement	-	210,000	-	210,000
Interest and Fiscal Charges	-	23,764	-	23,764
	<u>1,068,584</u>	<u>12,051,966</u>	<u>1,565,495</u>	<u>14,686,045</u>
Total Cash Disbursements				
Excess of Receipts Over/ (Under) Disbursements	(147,054)	2,284,877	(1,565,495)	572,328
Other Financing Receipts/ (Disbursements):				
Proceeds from Notes	-	-	2,500,000	2,500,000
	<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
Total Other Financing Receipts/ (Disbursements)				
Net Change in Fund Cash Balances	(147,054)	2,284,877	934,505	3,072,328
Fund Cash Balances, January 1	540,879	5,231,774	-	5,772,653
	<u>540,879</u>	<u>5,231,774</u>	<u>-</u>	<u>5,772,653</u>
Fund Cash Balances, December 31				
Committed	-	410,227	-	410,227
Restricted	-	7,106,424	934,505	8,040,929
Assigned	20,325	-	-	20,325
Unassigned	373,500	-	-	373,500
	<u>393,825</u>	<u>7,516,651</u>	<u>934,505</u>	<u>8,844,981</u>
Fund Cash Balances, December 31	<u>\$ 393,825</u>	<u>\$ 7,516,651</u>	<u>\$ 934,505</u>	<u>\$ 8,844,981</u>

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

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Madison Township, Franklin 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, fire protection, police protection and emergency medical services.

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OTARMA is a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members.

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 (regulatory cash basis) for all governmental fund types.

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:

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Fire District Fund This fund receives fire levy funds for providing fire protection to Township residents.

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Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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 be budgeted annually.

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Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2017 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.

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.

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$870,216	\$921,530	\$51,314
Special Revenue	13,604,975	14,336,843	731,868
Capital Projects	0	2,500,000	2,500,000
Total	<u>\$14,475,191</u>	<u>\$17,758,373</u>	<u>\$3,283,182</u>

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,360,120	\$1,068,584	\$291,536
Special Revenue	14,552,360	12,051,966	\$2,500,394
Capital Projects	2,500,000	1,565,495	\$934,505
Total	\$18,412,480	\$14,686,045	\$3,726,435

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:

	2017
Demand deposits	\$3,186,051
STAR Ohio	5,658,930
Total deposits	8,844,981

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

Investments

Investments in STAR Ohio and mutual funds 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

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Property Taxes (Continued)

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.

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

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 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, 2017, 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, 2017.

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management (Continued)

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$57,000.

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.

<u>2017 Contributions to OTARMA</u>
\$126,897

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. This information is the most recent available at the time of preparation of these footnotes.

Note 7 – Defined Benefit Pension Plans

The Townships’ full time Firefighter’s belong to the Police and Fire Pension Fund (OP&F). Law Enforcement and other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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. For 2017, OP&F participants contributed 12.25% of their wages. The Township contributed an amount equal to 24% of full-time fire fighters’ wages. The Township has paid all contributions required through December 31, 2017. For 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017, Law Enforcement OPERS members contributed

Madison Township
Franklin County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plans (Continued)

13% of their gross salaries and the Township contributed an amount equaling 18.1% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Post Employment 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Note	\$2,290,000	2.9%
Total	<u>\$2,290,000</u>	

In 2017, the Township entered into a note agreement with Vinton County Bank for the purpose of constructing, furnishing and equipping a new fire station. This note was issued at an interest rate of 2.9% and matures in 2026. During 2017, the Township made loan payments totaling \$233,764.

Amortization

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

<u>Year Ending December 31:</u>	<u>Fire Truck Note</u>
2018	286,410
2019	290,030
2020	293,360
2021	291,400
2022	294,295
2023-2027	<u>1,181,200</u>
Total	<u>\$2,636,695</u>



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

Madison Township
Franklin County
4575 Madison Lane
Groveport, Ohio 43125

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 the Madison Township, Franklin County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 15, 2019 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 opinion 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider findings 2018-001 to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

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 report is not suitable for any other purpose.



BHM CPA Group, Inc.
Piketon, Ohio
June 15, 2019

**Madison Township
Franklin County
Schedule of Findings
December 31, 2018 and 2017**

1. SUMMARY OF AUDITOR'S RESULTS

FINDING NUMBER 2018-001

Financial Reporting – Material Weakness

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

Material misstatements were identified during the course of the audit which have not been prevented or detected by the Township's internal controls over financial reporting. Misstatements were identified in the following areas:

- Capital Outlay
- Principal Retirement
- Interest and Fiscal Charges

All of the above noted adjustments have been posted to the Township's financial statements and accounting system.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

Officials' Response: We did not receive a response to this finding.

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Upon comparison of appropriations to actual expenditures the auditor noted expenditures in excess of appropriations. The total expenditures from each fund shall not exceed the total of the appropriations. Appropriations shall be made from each fund only for the purposes for which such fund is established. No subdivision or taxing unit is to expend money unless it has been appropriated.

We recommend that the township periodically make amendments to the appropriations throughout the year when appropriations need to be increased as to not allow actual expenditures to exceed appropriations.

Officials' Response: We did not receive a response to this finding.

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OHIO AUDITOR OF STATE KEITH FABER



MADISON TOWNSHIP

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 17, 2019**