



**MADISON TOWNSHIP  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000**



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

---

**STATE OF OHIO**



**MADISON TOWNSHIP  
LAKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Fund Types – For the Year Ended December 31, 2001 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Governmental Fund Types – For the Year Ended December 31, 2000 .....	4
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings .....	13
Schedule of Prior Audit Findings .....	14

**This page intentionally left blank.**



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Lausche Bldg  
615 W Superior Ave  
Floor 12  
Cleveland OH 44113 - 1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT OF INDEPENDENT ACCOUNTANTS**

Madison Township  
Lake County  
2065 Hubbard Road  
Madison, Ohio 44057

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison Township, Lake County, Ohio, as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

**Jim Petro**  
Auditor of State

April 1, 2002

**MADISON TOWNSHIP  
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$239,686	\$1,710,392	\$0	\$1,950,078
Intergovernmental	1,022,615	449,395		1,472,010
Special Assessments		79,080		79,080
Licenses, Permits, and Fees	21,233	2,678		23,911
Fines, Forfeitures, and Penalties	31,590	0		31,590
Earnings on Investments	77,239	7,639		84,878
Other Revenue	169,273	61,657		230,930
<b>Total Cash Receipts</b>	<u>1,561,636</u>	<u>2,310,841</u>	<u>0</u>	<u>3,872,477</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	1,135,452			1,135,452
Public Safety	416,357	1,264,727		1,681,084
Public Works	16,636	960,004		976,640
Health	22,482			22,482
Conservation - Recreation	210,975			210,975
Miscellaneous		1,730		1,730
Debt Service:				
Redemption of Principal	30,000	60,000		90,000
Interest and Fiscal Charges	6,185			6,185
Capital Outlay		165,208	200,000	365,208
<b>Total Cash Disbursements</b>	<u>1,838,087</u>	<u>2,451,669</u>	<u>200,000</u>	<u>4,489,756</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(276,451)</u>	<u>(140,828)</u>	<u>(200,000)</u>	<u>(617,279)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sale of Public Debt:				
OPWC Loan Proceeds			200,000	200,000
Sale of Notes	192,589			192,589
Sale of Land	63,402			63,402
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>255,991</u>	<u>0</u>	<u>200,000</u>	<u>455,991</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(20,460)</u>	<u>(140,828)</u>	<u>0</u>	<u>(161,288)</u>
<b>Fund Cash Balances, January 1, 2001</b>	<u>995,378</u>	<u>1,028,093</u>	<u>0</u>	<u>2,023,471</u>
<b>Fund Cash Balances, December 31, 2001</b>	<u><u>\$974,918</u></u>	<u><u>\$887,265</u></u>	<u><u>\$0</u></u>	<u><u>\$1,862,183</u></u>
<b>Reserve for Encumbrances, December 31, 2001</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

**MADISON TOWNSHIP  
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$211,009	\$1,646,935	\$1,857,944
Intergovernmental	665,210	507,575	1,172,785
Special Assessments		47,860	47,860
Licenses, Permits, and Fees	28,691	2,981	31,672
Fines, Forfeitures, and Penalties	41,038		41,038
Earnings on Investments	118,341	11,696	130,037
Other Revenue	116,385	87,036	203,421
	<u>1,180,674</u>	<u>2,304,083</u>	<u>3,484,757</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	528,703		528,703
Public Safety	500,000	1,140,373	1,640,373
Public Works	58,302	674,081	732,383
Health	60,928	8,340	69,268
Conservation - Recreation	296,994		296,994
Miscellaneous		39,559	39,559
Debt Service:			
Redemption of Principal	40,000	20,000	60,000
Interest and Fiscal Charges	1,920		1,920
Capital Outlay		121,317	121,317
	<u>1,486,847</u>	<u>2,003,670</u>	<u>3,490,517</u>
<b>Total Cash Disbursements</b>			
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(306,173)</u>	<u>300,413</u>	<u>(5,760)</u>
Fund Cash Balances, January 1, 2000	<u>1,301,551</u>	<u>727,680</u>	<u>2,029,231</u>
<b>Fund Cash Balances, December 31, 2000</b>	<u><b>\$995,378</b></u>	<u><b>\$1,028,093</b></u>	<u><b>\$2,023,471</b></u>
Reserve for Encumbrances, December 31, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**MADISON TOWNSHIP  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Madison Township, Lake County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and police services. Fire protection and emergency medical services are provided by the Madison Fire District.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**MADISON TOWNSHIP  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

**3. Capital Project Fund**

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

OPWC Fund - The Township received a grant to make capital improvements to the Township's storm drains.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**MADISON TOWNSHIP  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

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

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

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>(\$53,385)</u>	<u>(\$95,605)</u>
Total deposits	<u>(53,385)</u>	<u>(95,605)</u>
STAR Ohio	<u>1,915,568</u>	<u>2,119,076</u>
Total investments	<u>1,915,568</u>	<u>2,119,076</u>
Total deposits and investments	<u><u>\$1,862,183</u></u>	<u><u>\$2,023,471</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,817,628	\$1,817,627	(\$1)
Special Revenue	2,310,842	2,310,841	(1)
Capital Projects	<u>0</u>	<u>200,000</u>	<u>200,000</u>
Total	<u><u>\$4,128,470</u></u>	<u><u>\$4,328,468</u></u>	<u><u>\$199,998</u></u>

**MADISON TOWNSHIP  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY(Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,185,651	\$1,838,087	\$347,564
Special Revenue	3,020,964	2,451,669	569,295
Capital Projects	<u>200,000</u>	<u>200,000</u>	<u>0</u>
Total	<u>\$5,406,615</u>	<u>\$4,489,756</u>	<u>\$916,859</u>

Ohio Rev. Code Section 5705.39 states total appropriations should not exceed total estimated revenue. As of December 31, 2001, the Capital Projects Fund had total appropriations in excess of estimated revenue plus carryover balances by \$200,000.

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,140,899	\$1,180,674	\$39,775
Special Revenue	<u>2,829,617</u>	<u>2,304,083</u>	<u>(525,534)</u>
Total	<u>\$3,970,516</u>	<u>\$3,484,757</u>	<u>(\$485,759)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,760,183	\$1,486,847	\$273,336
Special Revenue	<u>2,555,659</u>	<u>2,003,670</u>	<u>551,989</u>
Total	<u>\$4,315,842</u>	<u>\$3,490,517</u>	<u>\$825,325</u>

**4. PROPERTY TAX**

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

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

**MADISON TOWNSHIP  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. PROPERTY TAX (Continued)**

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

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Loan	\$ 50,000	0%
Ohio Public Works Loan	170,000	0%
Police Radio Note	42,589	5.31%
Building Renovation Note	<u>120,000</u>	5.32%
Total Principal Outstanding	<u>\$382,589</u>	

The Ohio Public Works Loan issued in 1994 was for the Lake Breeze Park Subdivision improvements and the loan issued in 2001 was for the Davista Area Storm Drain Reconstruction. The terms of the loans were 10 years.

The Police Radio Note issued in 2001 and was for the purchase of police radio equipment. The term of the loan was 4 years.

The Building Renovation Note issued in 2001 was for improving the Township Center. The term of the loan was 5 years.

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

<u>Year ending December 31:</u>	<u>OPWC LOANS</u>	<u>Police Radio Note</u>	<u>Building Renovation Notes</u>	<u>Totals</u>
2002	20,000	16,457	36,384	72,841
2003	40,000	15,704	34,778	90,482
2004	40,000	14,950	33,192	88,142
2005	20,000	0	31,596	51,596
2006 – 2010	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>100,000</u>
Total	<u>\$220,000</u>	<u>\$47,111</u>	<u>\$135,950</u>	<u>\$403,061</u>

**6. RETIREMENT SYSTEMS**

The Public Employees Retirement System (PERS) of Ohio is a cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**MADISON TOWNSHIP  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 21, 2000. The Township has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

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

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



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Lausche Bldg  
615 W Superior Ave  
Floor 12  
Cleveland OH 44113 - 1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

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

Madison Township  
Lake County  
2065 Hubbard Road  
Madison, Ohio 44057

To the Board of Trustees

We have audited the accompanying financial statements of Madison Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated April 1, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2001-40843-001.

We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 1, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 1, 2002.

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

**Jim Petro**  
Auditor of State

April 1, 2002

**MADISON TOWNSHIP  
LAKE COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

Finding Number	2001-40843-001
----------------	----------------

Ohio Rev. Code Section 5705.39 states total appropriations should not exceed total estimated revenue. As of December 31, 2001, the Capital Project Fund had total appropriations in excess of estimated revenue plus carryover balances of \$200,000.

We recommend the Township enforce budget controls to ensure that the Board does not appropriate more than the Township expects to collect as revenue.

MADISON TOWNSHIP  
LAKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-40843-001	Appropriations exceeding the Certificate of Estimate Revenues	No	Reissued as 2001-40843-001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**MADISON TOWNSHIP**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 9, 2002**