



Dave Yost • Auditor of State

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Madison Joint Fire District
Lake County
840 River Street
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 the Madison Joint Fire District, Lake County, (the District) 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 District'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 District'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 District 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 District 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 District 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 cash balances, receipts and disbursements by fund type, and related notes of the Madison Joint Fire District, Lake County as of December 31, 2016 and 2015, for the year 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 January 5, 2018, on our consideration of the District'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 District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 5, 2018

Madison Joint Fire District
Lake County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$2,052,990		\$0	\$2,052,990
Charges for Services	667	\$676,211		676,878
Licenses, Permits and Fees	148			148
Intergovernmental	245,562	11,115		256,677
Earnings on Investments	1,056			1,056
Miscellaneous	92,430	46,752		139,182
<i>Total Cash Receipts</i>	<u>2,392,853</u>	<u>734,078</u>	<u>0</u>	<u>3,126,931</u>
Cash Disbursements				
Current:				
General Government	166,697	10,958		177,655
Public Safety	1,386,198	935,494		2,321,692
Capital Outlay	3,712	1,460		5,172
Debt Service:				
Principal Retirement			190,000	190,000
Interest and Fiscal Charges			145,965	145,965
<i>Total Cash Disbursements</i>	<u>1,556,607</u>	<u>947,912</u>	<u>335,965</u>	<u>2,840,484</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	836,246	(213,834)	(335,965)	286,447
Other Financing Receipts (Disbursements)				
Transfers In		2,968	335,965	338,933
Transfers Out	(338,933)			(338,933)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(338,933)</u>	<u>2,968</u>	<u>335,965</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	497,313	(210,866)	0	286,447
<i>Fund Cash Balances, January 1</i>	<u>374,354</u>	<u>554,919</u>	<u>75,000</u>	<u>1,004,273</u>
Fund Cash Balances, December 31				
Restricted		344,053	75,000	419,053
Committed	15,000			15,000
Assigned	20,602			20,602
Unassigned (Deficit)	836,065			836,065
<i>Fund Cash Balances, December 31</i>	<u>\$871,667</u>	<u>\$344,053</u>	<u>\$75,000</u>	<u>\$1,290,720</u>

See accompanying notes to the basic financial statements

Madison Joint Fire District
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
	Agency
Operating Cash Receipts	
<i>Total Operating Cash Receipts</i>	\$0
Operating Cash Disbursements	
Other	4,056
<i>Total Operating Cash Disbursements</i>	4,056
<i>Operating Income (Loss)</i>	(4,056)
Non-Operating Receipts (Disbursements)	
Miscellaneous	(6,000)
<i>Total Non-Operating Receipts (Disbursements)</i>	(6,000)
<i>Net Change in Fund Cash Balances</i>	(10,056)
<i>Fund Cash Balances, January 1</i>	15,840
<i>Fund Cash Balances, December 31</i>	\$5,784

See accompanying notes to the basic financial statements

Madison Joint Fire District
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 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.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The District 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 District 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 District 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 District had the following significant Special Revenue Funds:

Ambulance and EMS Fund – This fund receives collections of fees associated with providing ambulance services.

Earned Benefits Fund - This fund receives periodic transfers from the General Fund and accumulates over time to offset pay-outs of accumulated leave to eligible retiring employees. This fund is reported in General fund as required by GASB 54.

Debt Service Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had the following significant Debt Service Funds:

General Bond Retirement Fund – This fund receives a portion of EMS Ambulance Billing Fees to expend for principal and interest on the bonds issued to build the District's Station #3.

Fiduciary Funds: Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The District disburses these funds as directed by individuals, organizations, or other governments.

Madison Firefighters' Association Fund – This fund accounts for monies received and spent through the Madison Firefighters' Association.

Madison Joint Fire District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Insurance Demolition Fund –This fund holds insurance proceeds as a security against the cost of removing, repairing or securing fire 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. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the District 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 2016 budgetary activity appears in Note 3.

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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 Joint Fire District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Fund Balance

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

Nonspendable The District 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 District 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 District Trustees or a District 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 District 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	\$2,392,989	\$2,392,853	(\$136)
Special Revenue	684,083	737,046	52,963
Debt Service	350,000	335,965	(14,035)
Total	\$3,427,072	\$3,465,864	\$38,792

Madison Joint Fire District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

2016 Budgeted vs. Actual Budgetary Basis Expenditures **			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,497,816	\$1,916,142	\$581,674
Special Revenue	1,190,769	960,166	230,603
Debt Service	350,000	335,965	14,035
Total	\$4,038,585	\$3,212,273	\$826,312

** includes carryover appropriations and encumbrances

Note 4 – Deposits and Investments

The District 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	\$268,726
Certificates of deposit	317,666
Other time deposits (NOW account)	698,612
Total deposits	\$1,285,004
Investments - STAR Ohio	11,500
Total deposits and investments	\$1,296,504

Deposits

Deposits are insured by the Federal Depository Insurance Corporation. At December 31, 2016, \$793,806 of deposits were not insured or collateralized, contrary to Ohio law.

Investments

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

Note 5 – Taxes

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 District.

Madison Joint Fire District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Police and Fire Retirement System

The District's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The District has paid all contributions required through December 31, 2016.

Ohio Public Employees Retirement System

A few 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 members contributed 10%, of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

Social Security

Several on call employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Madison Joint Fire District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Postemployment Benefits

Both OP&F and OPERS 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. OP&F contributes 0.5 percent of the employer contribution to fund these benefits, and OPERS contributes 2 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$3,755,000	.5%-5.125%

The District issued general obligation bonds to finance the construction of a new fire station. The District's taxing authority collateralized the bonds.

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

Year ending	General Obligation Bonds
December 31:	
2017	\$335,015
2018	338,875
2019	337,413
2020	335,463
2021	338,025
2022-2026	1,679,038
2027-2031	1,681,349
2032	336,400
Total	\$5,381,578

Note 10 – Contingent Liabilities

The District has been named as a Defendant in a lawsuit currently pending in Lake County, Ohio but in said suit there has been no claim for money damages made against the Fire District. Although management cannot presently determine the outcome of the suit, management believes that the resolution of this matter will not materially adversely affect the District's financial condition. The District is unaware of any other threatened litigation or any un-asserted claims or assessments.

Madison Joint Fire District
Lake County, Ohio
**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)**
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$2,046,430		\$0	\$0	\$2,046,430
Charges for Services	600	\$904,784			905,384
Licenses, Permits and Fees	196				196
Intergovernmental	243,153				243,153
Earnings on Investments	1,149				1,149
Miscellaneous	7,639	1,734			9,373
<i>Total Cash Receipts</i>	<u>2,299,167</u>	<u>906,518</u>	<u>0</u>	<u>0</u>	<u>3,205,685</u>
Cash Disbursements					
Current:					
General Government	199,001	18,820			217,821
Public Safety	1,490,693	1,181,443			2,672,136
Capital Outlay				17,241	17,241
Debt Service:					
Principal Retirement			185,000		185,000
Interest and Fiscal Charges			146,890		146,890
<i>Total Cash Disbursements</i>	<u>1,689,694</u>	<u>1,200,263</u>	<u>331,890</u>	<u>17,241</u>	<u>3,239,088</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>609,473</u>	<u>(293,745)</u>	<u>(331,890)</u>	<u>(17,241)</u>	<u>(33,403)</u>
Other Financing Receipts (Disbursements)					
Transfers In			406,890	17,241	424,131
Transfers Out	(424,131)				(424,131)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(424,131)</u>	<u>0</u>	<u>406,890</u>	<u>17,241</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	185,342	(293,745)	75,000	0	(33,403)
<i>Fund Cash Balances, January 1</i>	<u>189,012</u>	<u>848,664</u>	<u>0</u>	<u>0</u>	<u>1,037,676</u>
Fund Cash Balances, December 31					
Restricted		554,919	75,000		629,919
Unassigned (Deficit)	374,354				374,354
<i>Fund Cash Balances, December 31</i>	<u>\$374,354</u>	<u>\$554,919</u>	<u>\$75,000</u>	<u>\$0</u>	<u>\$1,004,273</u>

See accompanying notes to the basic financial statements

Madison Joint Fire District
Lake County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2015

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
<i>Total Operating Cash Receipts</i>	\$0
Operating Cash Disbursements	
<i>Total Operating Cash Disbursements</i>	0
<i>Operating Income (Loss)</i>	0
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	6,000
<i>Total Non-Operating Receipts (Disbursements)</i>	6,000
<i>Net Change in Fund Cash Balances</i>	6,000
<i>Fund Cash Balances, January 1</i>	9,840
<i>Fund Cash Balances, December 31</i>	\$15,840

See accompanying notes to the basic financial statements

Madison Joint Fire District
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 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.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The District 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 District 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 District 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 District had the following significant Special Revenue Funds:

Ambulance and EMS Fund – This fund receives collections of fees associated with providing ambulance services.

Debt Service Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had the following significant Debt Service Funds:

General Bond Retirement Fund – This fund receives a portion of EMS Ambulance Billing Fees to expend for principal and interest on the bonds issued to build the District's Station #3.

Capital Project Funds These funds account for and report 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 District had the following significant capital project fund:

Miscellaneous Capital Projects Fund – This fund is used to account for the construction of Fire Station #3.

Fiduciary Funds: Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The District disburses these funds as directed by individuals, organizations, or other governments.

Madison Joint Fire District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Madison Firefighters' Association Fund – This fund accounts for monies received and spent through the Madison Firefighters' Association.

Insurance Demolition Fund – This fund holds insurance proceeds as a security against the cost of removing, repairing or securing fire 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. Unencumbered appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the District 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 2015 budgetary activity appears in Note 3.

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Madison Joint Fire District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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 District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District 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 District 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 District Trustees or a District 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 District 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	\$2,201,270	\$2,299,167	\$97,897
Special Revenue	1,006,890	906,518	(100,372)
Debt Service	350,000	406,890	56,890
Capital Projects	19,741	17,241	(2,500)
Total	\$3,577,901	\$3,629,816	\$51,915

Madison Joint Fire District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Fund Type	Authority	Expenditures	Variance
General	\$2,161,365	\$2,113,825	\$47,540
Special Revenue	1,258,640	1,200,263	58,377
Debt Service	350,000	331,890	18,110
Capital Projects	30,000	17,241	12,759
Total	<u>\$3,800,005</u>	<u>\$3,663,219</u>	<u>\$136,786</u>

** includes carryover appropriations and encumbrances

Note 4 – Deposits and Investments

The District 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:

	<u>2015</u>
Demand deposits	\$613,288
Certificates of deposit	317,360
Other time deposits (NOW account)	<u>78,026</u>
Total deposits	\$1,008,674
Investments - STAR Ohio	<u>11,439</u>
Total deposits and investments	\$1,020,113

Deposits

Deposits are insured by the Federal Depository Insurance Corporation. At December 31, 2015, \$568,711 of deposits were not insured or collateralized, contrary to Ohio law.

Investments

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

Note 5 – Taxes

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 District.

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Madison Joint Fire District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 – Defined Benefit Pension Plans

Ohio Police and Fire Retirement System

The District's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 11.50% of their wages from January 1, 2015 to June 30, 2015 and 12.25% of their wages from July 1, 2015 to December 31, 2015. The District contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The District has paid all contributions required through December 31, 2015.

Ohio Public Employees Retirement System

A few 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 members contributed 10%, of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

Social Security

Several on call employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Note 8 - Postemployment Benefits

Both OP&F and OPERS 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. OP&F contributes 0.5 percent of the employer contribution to fund these benefits, and OPERS contributes 2 percent to fund these benefits.

Madison Joint Fire District
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$4,090,965	.5%-5.125%

The District issued general obligation bonds to finance the construction of a new fire station. The District's taxing authority collateralized the bonds.

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

Year ending December 31:	General Obligation Bonds
2016	\$335,965
2017	335,015
2018	338,875
2019	337,413
2020	335,463
2021-2025	1,682,894
2026-2030	1,678,487
2031-2032	673,431
Total	\$5,717,543

Note 10 – Contingent Liabilities

The District has been named as a Defendant in a lawsuit currently pending in Lake County, Ohio but in said suit there has been no claim for money damages made against the Fire District. Although management cannot presently determine the outcome of the suit, management believes that the resolution of this matter will not materially adversely affect the District's financial condition. The District is unaware of any other threatened litigation or any un-asserted claims or assessments.



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 Joint Fire District
Lake County
840 River Street
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 the Madison Joint Fire District, Lake County, (the District) 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 January 5, 2018 wherein we noted the District 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 District'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 District'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 District'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 District'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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District'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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 5, 2018

**MADISON JOINT FIRE DISTRICT
LAKE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code §505.371(C)(3) – EMS Revenue Postings and Tax Revenue Postings	Corrective Action Taken - Finding is fully corrected	District posted EMS and Tax Revenue to the proper funds in 2016 and 2015.
2014-002	Ohio Rev. Code §5705.13 (C) Capital Projects Fund – Co-Mingled funds	Corrective Action Taken - Finding is fully corrected	District posted revenues and expenses under proper funds in 2016 and 2015.

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MADISON JOINT FIRE DISTRICT

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
JANUARY 30, 2018**