



**VILLAGE OF MADISON
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF MADISON
LAKE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Madison
Lake County
126 Main Street
Madison, Ohio 44057

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 3, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Madison
Lake County
126 Main Street
Madison, Ohio 44057

To the Village Council:

We have audited the accompanying financial statements of the Village of Madison, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2007 and December 31, 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and December 31, 2006 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and December 31, 2006, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Madison, Lake County, Ohio, as of December 31, 2007 and December 31, 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2008, on our consideration of the Village'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

December 3, 2008

**VILLAGE OF MADISON
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$118,216	\$21,727	\$21,815	\$0	\$0	\$161,758
Municipal Income Tax	857,398					857,398
Intergovernmental	200,741	234,664		10,000		445,405
Special Assessments		79,495				79,495
Charges for Services	13,924	17,763		5,607		37,294
Fines, Licenses and Permits	117,196	12,750				129,946
Earnings on Investments	26,624			250	2,209	29,083
Miscellaneous	61,062	34,182				95,244
Total Cash Receipts	1,395,161	400,581	21,815	15,857	2,209	1,835,623
Cash Disbursements:						
Current:						
Security of Persons and Property	615,816	30,522				646,338
Public Health Services		20,913				20,913
Leisure Time Activities	11,521	90,057				101,578
Community Environment		4,350				4,350
Basic Utility Service		114,164				114,164
Transportation		138,249				138,249
General Government	499,606	11,465	1,392			512,463
Debt Service:						
Redemption of Principal			70,000			70,000
Interest and Fiscal Charges	4,047		2,965			7,012
Capital Outlay	25,255	29,705		43,225		98,185
Total Cash Disbursements	1,156,245	439,425	74,357	43,225	0	1,713,252
Total Receipts Over/(Under) Disbursements	238,916	(38,844)	(52,542)	(27,368)	2,209	122,371
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes			60,000			60,000
Transfers-In		4,500				4,500
Transfers-Out	(4,500)					(4,500)
Advances-In	38,371	2,519				40,890
Advances-Out	(40,628)	(262)				(40,890)
Other Financing Sources	1					1
Total Other Financing Receipts / (Disbursements)	(6,756)	6,757	60,000	0	0	60,001
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	232,160	(32,087)	7,458	(27,368)	2,209	182,372
Fund Cash Balances, January 1, 2007	168,383	243,096	7,933	156,947	68,615	644,974
Fund Cash Balances, December 31, 2007	\$400,543	\$211,009	\$15,391	\$129,579	\$70,824	\$827,346
Reserve for Encumbrances, December 31, 2007	\$3,942	\$558	\$0	\$0	\$0	\$4,500

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

**VILLAGE OF MADISON
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,318,112	\$0	\$1,318,112
Fines, Licenses and Permits	800		800
Miscellaneous	1,576		1,576
Total Operating Cash Receipts	<u>1,320,488</u>	<u>0</u>	<u>1,320,488</u>
Operating Cash Disbursements:			
Personal Services	188,835		188,835
Employee Fringe Benefits	62,254		62,254
Contractual Services	529,258		529,258
Supplies and Materials	42,361		42,361
Other	4,635		4,635
Total Operating Cash Disbursements	<u>827,343</u>	<u>0</u>	<u>827,343</u>
Operating Income/(Loss)	<u>493,145</u>	<u>0</u>	<u>493,145</u>
Non-Operating Cash Receipts:			
Special Assessments	49,836		49,836
Other Non-Operating Cash Receipts		76,485	76,485
Total Non-Operating Cash Receipts	<u>49,836</u>	<u>76,485</u>	<u>126,321</u>
Non-Operating Cash Disbursements:			
Capital Outlay	2,500		2,500
Redemption of Principal	204,584		204,584
Interest and Other Fiscal Charges	102,031		102,031
Other Non-Operating Cash Disbursements	988	73,710	74,698
Total Non-Operating Cash Disbursements	<u>310,103</u>	<u>73,710</u>	<u>383,813</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	232,878	2,775	235,653
Advances-In	38,109		38,109
Advances-Out	<u>(38,109)</u>		<u>(38,109)</u>
Net Receipts Over/(Under) Disbursements	232,878	2,775	235,653
Fund Cash Balances, January 1, 2007	<u>7,477</u>	<u>18,369</u>	<u>25,846</u>
Fund Cash Balances, December 31, 2007	<u>\$240,355</u>	<u>\$21,144</u>	<u>\$261,499</u>
Reserve for Encumbrances, December 31, 2007	<u>\$1,254</u>	<u>\$0</u>	<u>\$1,254</u>

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

**VILLAGE OF MADISON
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Property and Local Taxes	\$120,951	\$19,659	\$33,421	\$0	\$0	\$174,031
Municipal Income Tax	817,026					817,026
Intergovernmental	200,070	301,603		35,000		536,673
Special Assessments		80,580				80,580
Charges for Services	5,330	17,428		9,302	970	33,030
Fines, Licenses and Permits	181,215	12,411				193,626
Earnings on Investments	9,209	542		1,155	2,041	12,947
Miscellaneous	4,423	31,484				35,907
Total Cash Receipts	1,338,224	463,707	33,421	45,457	3,011	1,883,820
Cash Disbursements:						
Current:						
Security of Persons and Property	650,337	20,706				671,043
Public Health Services		10,436				10,436
Leisure Time Activities	9,072	94,770				103,842
Basic Utility Service		106,249				106,249
Transportation		106,959				106,959
General Government	542,119	10,441	1,534	7,378		561,472
Debt Service:						
Redemption of Principal			100,000			100,000
Interest and Fiscal Charges	4,047		3,291			7,338
Capital Outlay	36,429	18,684				55,113
Total Cash Disbursements	1,242,004	368,245	104,825	7,378	0	1,722,452
Total Receipts Over/(Under) Disbursements	96,220	95,462	(71,404)	38,079	3,011	161,368
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes			70,000			70,000
Transfers-In	13,000	8,758				21,758
Transfers-Out	(10,358)	(13,000)				(23,358)
Total Other Financing Receipts / (Disbursements)	2,642	(4,242)	70,000	0	0	68,400
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	98,862	91,220	(1,404)	38,079	3,011	229,768
Fund Cash Balances, January 1, 2006	69,521	151,876	9,337	118,868	65,604	415,206
Fund Cash Balances, December 31, 2006	\$168,383	\$243,096	\$7,933	\$156,947	\$68,615	\$644,974
Reserve for Encumbrances, December 31, 2006	\$23,895	\$17,909	\$0	\$0	\$0	\$41,804

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

**VILLAGE OF MADISON
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$987,612	\$0	\$987,612
Fines, Licenses and Permits	\$1,850		1,850
Miscellaneous	14,268		14,268
	<u>1,003,730</u>	<u>0</u>	<u>1,003,730</u>
Operating Cash Disbursements:			
Personal Services	203,267		203,267
Employee Fringe Benefits	66,103		66,103
Contractual Services	534,365		534,365
Supplies and Materials	28,725		28,725
Other	3,015		3,015
	<u>835,475</u>	<u>0</u>	<u>835,475</u>
Operating Income/(Loss)	<u>168,255</u>	<u>0</u>	<u>168,255</u>
Non-Operating Cash Receipts:			
Special Assessments	43,425		43,425
Earnings on Investments	476		476
Sale of Notes	1,509,716		1,509,716
Other Debt Proceeds	78,151		78,151
Other Non-Operating Cash Receipts		150,831	150,831
	<u>1,631,768</u>	<u>150,831</u>	<u>1,782,599</u>
Non-Operating Cash Disbursements:			
Capital Outlay	13,980		13,980
Redemption of Principal	1,676,682		1,676,682
Interest and Other Fiscal Charges	127,773		127,773
Other Non-Operating Cash Disbursements		151,305	151,305
	<u>1,818,435</u>	<u>151,305</u>	<u>1,969,740</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(18,412)	(474)	(18,886)
Transfers-In	1,600		1,600
Net Receipts Over/(Under) Disbursements	(16,812)	(474)	(17,286)
Fund Cash Balances, January 1, 2006	24,289	18,843	43,132
Fund Cash Balances, December 31, 2006	<u>\$7,477</u>	<u>\$18,369</u>	<u>\$25,846</u>
Reserve for Encumbrances, December 31, 2006	<u>\$23,646</u>	<u>\$0</u>	<u>\$23,646</u>

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

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Madison, Lake County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including water and sewer utilities, rubbish collections, building, zoning and police protection.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

C. Cash and Investments

The Village'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.

The Village values certificates of deposit at cost. Money market mutual funds (Including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Senior Citizens Operating Fund - This fund receives intergovernmental monies for the operation of the Senior Citizens Center.

Street Lighting Fund - This fund receives special assessments for the installation and operation of street lighting in the Village.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of general obligation note and OWDA/OPWC loan indebtedness.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Project Fund:

Senior Citizens Capital Fund - This fund receives intergovernmental monies for maintenance and improvements of a Senior Citizens Center.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Capital Fund - This fund receives proceeds from water charges which are used to improve the Village's water treatment plant.

Sewer Capital Fund - This fund receives proceeds from sewer charges and OWDA/OPWC loan proceeds which are used to improve the Village's sewer system.

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing water.

6. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

VILLAGE OF MADISON
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

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

D. Fund Accounting (Continued)

6. Permanent Funds (Continued)

Cemetery Endowment Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

7. Fiduciary Funds

Fiduciary funds include private purposes trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's *Mayor's Court Fund* accounts for the collection and distribution of Mayor's Court fines, fees, and bonds (Agency Fund).

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2004
Demand deposits	\$373,870	\$408,161
Certificates of deposit	112,091	106,229
Total deposits	485,961	514,390
 STAR Ohio	 602,884	 156,430
Total investments	602,884	156,430
Total deposits and investments	\$1,088,845	\$670,820

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,296,374	\$1,433,533	\$137,159
Special Revenue	472,758	407,600	(65,158)
Debt Service	82,232	81,815	(417)
Capital Projects	8,000	15,857	7,857
Permanent	0	2,209	2,209
Enterprise	1,294,946	1,408,433	113,487
Total	\$3,154,310	\$3,349,447	\$195,137

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,276,937	\$1,205,315	\$71,622
Special Revenue	491,921	440,245	51,676
Debt Service	84,550	74,357	10,193
Capital Projects	51,000	43,225	7,775
Enterprise	1,388,033	1,176,809	211,224
Total	<u>\$3,292,441</u>	<u>\$2,939,951</u>	<u>\$352,490</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,366,047	\$1,351,224	(\$14,823)
Special Revenue	435,055	472,465	37,410
Debt Service	102,975	103,421	446
Capital Projects	33,000	45,457	12,457
Permanent	0	3,011	3,011
Enterprise	4,568,741	2,637,098	(1,931,643)
Total	<u>\$6,505,818</u>	<u>\$4,612,676</u>	<u>(\$1,893,142)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,382,489	\$1,276,257	\$106,232
Special Revenue	480,721	399,154	81,567
Debt Service	105,100	104,825	275
Capital Projects	48,200	7,378	40,822
Enterprise	2,751,668	2,677,556	74,112
Total	<u>\$4,768,178</u>	<u>\$4,465,170</u>	<u>\$303,008</u>

The above amounts for the 2007 budgeted receipts were taken from the Village's records, however the Village did not file a certificate of estimated resources with the Lake County Auditor's office contrary to Ohio Revised Code Section 5705.36. The Village violated Ohio Revised Code Section 5705.41(D).

Contrary to Ohio Revised Code Section 5705.41(B) the Village had following funds with expenditures that exceeded appropriations.

Fund	Year Ending December 31, 2007		
	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess Expenditures</u>
Enterprise			
Garbage	\$129,916	\$138,305	(\$8,389)

Fund	Year Ending December 31, 2006		
	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess Expenditures</u>
Debt Service			
Debt Retirement	\$35,100	\$104,825	(\$69,725)

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31.

If the property owner elects to pay semiannually, the first half payment 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 Village.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Waterworks System Improvement Notes	\$60,000	2.25%
OWDA Loan - Water Tower	89,465	7.96%
OWDA Loan - Sewer Expansion	137,169	7.96%
OWDA Loan - Belt Filter Press	117,068	4.56%
OWDA Loan - Waterline Replacement	714,620	4.12%
OWDA Loan - #531SRF	227,087	3.50%
OWDA Loan - Water System Improvement	753,076	4.29%
OWDA Loan - Sewer System Improvement	738,311	4.29%
OWDA Loan - EPA Sewer Improvement	340,483	2.75%
OPWC - N. Lake St. Waterline	38,000	0.00%
OPWC - Eagle Street	15,000	0.00%
OPWC - River E. Main Waterline	35,000	0.00%
OPWC - West Main Waterline	20,000	0.00%
Total	<u>\$3,285,279</u>	

The Waterworks System Improvement Note and the Ohio Water Development Authority (OWDA) loans relate to upgrading the water and sewer plants and lines. The Ohio Public Works Commission loan was to upgrade water lines. These debts will be repaid from the water and sewer funds.

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT (Continued)

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

	Improvement Notes	OWDA Water Tower	OWDA Sewer Expansion	OWDA Belt Filter
Year ending December 31:				
2008	\$62,520	\$29,498	\$36,201	\$17,628
2009		29,721	36,457	17,628
2010		29,962	36,733	17,628
2011		15,044	37,030	17,628
2012			18,592	17,628
2013-2017				52,886
Total	<u>\$62,520</u>	<u>\$104,225</u>	<u>\$165,013</u>	<u>\$141,026</u>

	OWDA Water Replacement	OWDA #531SRF	OWDA Water Improvement	OWDA Sewer Improvement
Year ending December 31:				
2008	\$87,910	\$21,251	\$58,361	\$57,216
2009	87,910	21,251	\$58,361	57,216
2010	87,910	21,251	\$58,361	57,216
2011	87,910	21,251	\$58,361	57,216
2012	87,910	21,251	\$58,361	57,216
2013-2017	439,553	106,256	291,805	286,080
2018-2022		74,379	291,805	286,080
2023-2026			233,439	228,873
Total	<u>\$879,103</u>	<u>\$286,890</u>	<u>\$1,108,854</u>	<u>\$1,087,113</u>

	OWDA EPA Sewer Improvement	OPWC North Lake Street	OPWC Eagle Street	OPWC East Main
Year ending December 31:				
2008	\$80,959	\$3,800	\$5,000	\$2,500
2009	80,959	3,800	5,000	2,500
2010	80,959	3,800	5,000	2,500
2011	80,959	3,800		2,500
2012	40,481	3,800		2,500
2013-2017		19,000		12,500
2018-2022				10,000
Total	<u>\$364,317</u>	<u>\$38,000</u>	<u>\$15,000</u>	<u>\$35,000</u>

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Debt (Continued)

	OPWC W. Main Waterline	Total
Year ending December 31:		
2008	\$ 5,000	\$467,844
2009	5,000	405,803
2010	5,000	406,321
2011	5,000	386,699
2012		307,739
2013-2017		1,208,079
2018-2022		662,264
2023-2026		462,312
Total	\$ 20,000	\$4,307,061

The Waterworks System Improvement Note and the Ohio Water Development Authority (OWDA) loans relate to upgrading the water and sewer plants and lines. The Ohio Public Works Commission loan was to upgrade water lines. These debts will be repaid from the water and sewer funds.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 9.0 and 9.5 percent of their wages for the years 2006 and 2007 respectively. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

9. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 104 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2006 and 2007. Financial information can be obtained by contacting NOPEC, 1615 Clarke Ave., Cleveland, Ohio 44109.

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Mary Taylor, CPA

Auditor of State

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

Village of Madison
Lake County
126 Main Street
Madison, Ohio 44057

To the Village Council:

We have audited the financial statements of the Village of Madison, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated December 3, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. In addition, we noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated December 3, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 to 2007-003.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated December 3, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 3, 2008

**VILLAGE OF MADISON
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 and 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Noncompliance Citations

FINDING NUMBER	2007-001
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Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure of money unless it has been properly appropriated. The following fund had expenditures that exceeded appropriations for the year ending December 31, 2007:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess Expenditures</u>
Enterprise			
Garbage	\$129,916	\$138,305	(\$8,389)

The following fund had expenditures that exceeded appropriations for the year ending December 31, 2006:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess Expenditures</u>
Debt Service			
Debt Retirement	\$35,100	\$104,825	(\$69,725)

The Village should monitor the expenditures in comparison to appropriations.

Official's Response:

The Village has implemented procedures to correct this problem.

Finding Number	2007-002
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Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Council can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**VILLAGE OF MADISON
LAKE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Noncompliance Citations (Continued)

Finding Number	2007-002 (Continued)
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2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In violation of section 5705.41(D), 33 percent of the 2007 transactions tested and 25 percent of the 2006 transactions tested were not certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official’s Response:

The Village has implemented procedures to correct this problem.

VILLAGE OF MADISON
LAKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Noncompliance Citations (Continued)

FINDING NUMBER	2007-003
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Ohio Revised Code Section § 5705.36(A)(1) provides, in part, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

The Village did not file a Certificate of Estimated Resources with the Lake County Auditor's office for 2007.

Official's Response:

The Village has implemented procedures to correct this problem.

**VILLAGE OF MADISON
LAKE COUNTY
DECEMBER 31, 2007 AND 2006**

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2005-001	The Ohio Revised Code Section 5705.41(B) requires that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.	No	Reissued as 2007-001
2005-002	Ohio Rev. Code Section 5705.41(D) states, in part, that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Reissued as 2007-002
2005-003	Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which the fund is established.	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF MADISON

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
DECEMBER 31, 2008**