



**VILLAGE OF MADISON
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 & 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MADISON
LAKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2000	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - The Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2000	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 1999	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - The Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 1999	6
Notes to the Financial Statements	7
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Madison, Lake County, (the Village) as of and for the years ended December 31, 2000 and December 31, 1999. 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 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 described in Note 1, the Village 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 and reserves for encumbrances of Village of Madison, Lake County, as of December 31, 2000 and December 31, 1999, 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 October 5, 2001 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 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 audit.

This report is intended solely for the information and use of management, the Members of Council 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

October 5, 2001

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**VILLAGE OF MADISON
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$988,619	\$2,000	\$6,621		\$12,415	\$1,009,655
Intergovernmental Receipts	124,303	171,167				295,470
Special Assessments				\$6,296		6,296
Charges for Services	36,358	74,682		132,400		243,440
Fees, Licenses, and Permits	15,188					15,188
Earnings on Investments	39,517					39,517
Fines and Forfeitures	54,957	560				55,517
Contributions	570					570
Miscellaneous	80,548	14,476		325,330		420,354
Total Cash Receipts	<u>1,340,060</u>	<u>262,885</u>	<u>6,621</u>	<u>464,026</u>	<u>12,415</u>	<u>2,086,007</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	498,775				38,711	537,486
Public Health Services	11,000					11,000
Basic Utility Services	15,276	76,455				91,731
Contractual Services	174,755	22,820				197,575
Community Development		26,178				26,178
Transportation	1,318	9,906				11,224
General Government	233,957	6,057				240,014
Materials & Supplies	31,863	39,946				71,809
Fringe Benefits	59,129	8,395				67,524
Debt Service:						
Repayment of Debt				397,167		397,167
Capital Outlay	240,052	64,824		943,814		1,248,690
Other Expenses	61,625	28,379	64			90,068
Total Disbursements	<u>1,327,750</u>	<u>282,960</u>	<u>64</u>	<u>1,340,981</u>	<u>38,711</u>	<u>2,990,466</u>
Total Receipts Over/(Under) Disbursements	<u>12,310</u>	<u>(20,075)</u>	<u>6,557</u>	<u>(876,955)</u>	<u>(26,296)</u>	<u>(904,459)</u>
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes				950,000		950,000
Transfers-In				21,375		21,375
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>	<u>0</u>	<u>971,375</u>	<u>0</u>	<u>971,375</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,310	(20,075)	6,557	94,420	(26,296)	66,916
Fund Cash Balances January 1	<u>133,241</u>	<u>171,462</u>	<u>7,623</u>	<u>63,552</u>	<u>31,526</u>	<u>407,404</u>
Fund Cash Balances, December 31	<u>\$145,551</u>	<u>\$151,387</u>	<u>\$14,180</u>	<u>\$157,972</u>	<u>\$5,230</u>	<u>\$474,320</u>
Reserves for Encumbrances, December 31	<u>\$3,807</u>	<u>\$5,413</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,220</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
THE PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$676,260			\$676,260
Miscellaneous	10,541	\$1,779		12,320
Total Operating Cash Receipts	686,801	1,779	\$0	688,580
Operating Cash Disbursements:				
Basic Utility Services	136,261			136,261
Fringe Benefits	44,850			44,850
Contractual Services	102,475			102,475
Supplies and Materials	40,937			40,937
General Government	139,634			139,634
Transportation	902			902
Capital Outlay	4,623			4,623
Other Operating Expenses	13,644			13,644
Total Operating Cash Disbursements	483,326	0	0	483,326
Operating Income/(Loss)	203,475	1,779	0	205,254
Non-Operating Cash Receipts:				
Other Non-Operating Receipts	1,582		67,657	69,239
Total Non-Operating Cash Receipts	1,582	0	67,657	69,239
Non-Operating Cash Disbursements:				
Other Non-Operating Cash Disbursements			68,007	68,007
Debt Service	172,673			172,673
Total Non-Operating Cash Disbursements	172,673	0	68,007	240,680
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	32,384	1,779	(350)	33,813
Transfers-Out	21,375			21,375
Net Receipts Over/(Under) Disbursements	11,009	1,779	(350)	55,188
Fund Cash Balances, January 1	83,876	56,179	4,236	144,291
Fund Cash Balances, December 31	\$94,885	\$57,958	\$3,886	\$199,479
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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 AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$821,128		\$12,256		\$27,274	\$860,658
Intergovernmental Receipts	211,871	\$193,036	679		1,273	406,859
Special Assessments	0	72,476				72,476
Charges for Services	3,904			\$230,010		233,914
Fees, Licenses, and Permits	105,450	1,947				107,397
Miscellaneous	48,513	27,117		21,694		97,324
Total Cash Receipts	1,190,866	294,576	12,935	251,704	28,547	1,778,628
Cash Disbursements:						
Current:						
Security of Persons and Property	417,175	104,310			30,073	551,558
Public Health Services		52,435				52,435
Contractual Services	92,550					92,550
Transportation	4,180					4,180
General Government	418,627	70,241				488,868
Debt Service:						
Repayment of Debt			72,827	181,530		254,357
Capital Outlay	151,119	6,289		335,335		492,743
Total Disbursements	1,083,651	233,275	72,827	516,865	30,073	1,936,691
Total Receipts Over/(Under) Disbursements	107,215	61,301	(59,892)	(265,161)	(1,526)	(158,063)
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes				210,000		210,000
Transfers-In		5,000	89,500		33,000	127,500
Transfers-Out	(125,000)					(125,000)
Other Sources/(Uses)	(10,799)		(35,234)			(46,033)
Total Other Financing Receipts/(Disbursements)	(135,799)	5,000	54,266	210,000	33,000	166,467
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(28,584)	66,301	(5,626)	(55,161)	31,474	8,404
Fund Cash Balances January 1	161,825	105,161	13,249	118,713	52	399,000
Fund Cash Balances, December 31	\$133,241	\$171,462	\$7,623	\$63,552	\$31,526	\$407,404
Reserves for Encumbrances, December 31	\$4,158	\$3,469	\$0	\$0	\$0	\$7,627

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
THE PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$677,224			\$677,224
Special Assessments	603			603
Miscellaneous	24			24
Total Operating Cash Receipts	677,851	\$0	\$0	677,851
Operating Cash Disbursements:				
Personal Services	183,150			183,150
Transportation	1,700			1,700
Contractual Services	172,694			172,694
Supplies and Materials	189,499			189,499
Capital Outlay	12,627			12,627
Total Operating Cash Disbursements	559,670	0	0	559,670
Operating Income/(Loss)	118,181	0	0	118,181
Non-Operating Cash Receipts:				
Other Non-Operating Receipts	1,920		57,035	58,955
Total Non-Operating Cash Receipts	1,920	0	57,035	58,955
Non-Operating Cash Disbursements:				
Debt Service	82,248			82,248
Other Non-Operating Cash Disbursements	38,476		57,635	96,111
Total Non-Operating Cash Disbursements	120,724	0	57,635	178,359
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(623)	0	(600)	(1,223)
Transfers-Out		(2,500)		(2,500)
Net Receipts Over/(Under) Disbursements	(623)	(2,500)	(600)	(3,723)
Fund Cash Balances, January 1	84,499	58,679	4,836	148,014
Fund Cash Balances, December 31	\$83,876	\$56,179	\$4,236	\$144,291
Reserve for Encumbrances, December 31	\$9,839	\$0	\$0	\$9,839

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, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Madison, Lake County, Ohio, (the Village) 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 Village is directed by a publicly-elected six-member Council. 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. 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 disbursement 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

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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 Village had the following significant Special Revenue Funds:

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 Levy Fund - This fund receives levy and grant monies for the construction of a Senior Citizens Center.

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

**VILLAGE OF MADISON
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and loan indebtedness.

Capital Project Funds

These funds are 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 Village had the following significant capital project funds:

Water Capital Fund - This fund receives proceeds of water charges. The proceeds are being used for improvement to the Village's water treatment plant.

Sewer Capital Fund - This fund receives proceeds of sewer charges. The proceeds are being used for improvement to the Village's sewer system.

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 Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Police Disability and Pension Fund - This fund is used to account for the police pension prior to paying the funds to the retirement system (Expendable Trust).

Cemetery Endowment Fund - This fund is for future maintenance of the cemetery (Nonexpendable Trust).

Mayor's Court Fund - This fund is used to account for the collection and distribution of Mayor's court fines, fees, and bonds (Agency Fund).

**VILLAGE OF MADISON
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 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.

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.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF MADISON
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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>2000</u>	<u>1999</u>
Demand Deposits	\$257,266	\$198,699
Certificates of Deposit	<u>86,966</u>	<u>83,453</u>
Total Deposits	<u>344,232</u>	<u>282,152</u>
STAR Ohio	<u>286,817</u>	<u>269,543</u>
Total Investments	<u>286,817</u>	<u>269,543</u>
Total Deposits and Investments	<u>\$631,049</u>	<u>\$551,695</u>

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, 2000 and 1999 was as follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,356,857	\$1,340,060	(\$16,797)
Special Revenue	267,908	262,885	(5,023)
Debt Service	6,496	6,621	125
Capital Projects	1,644,500	1,435,401	(209,099)
Expendable Trust	12,178	12,415	237
Enterprise	731,000	688,383	42,617
Nonexpendable Trust	<u>4,500</u>	<u>1,779</u>	<u>(2,721)</u>
Total	<u>\$4,023,439</u>	<u>\$3,747,544</u>	<u>(\$275,895)</u>

**VILLAGE OF MADISON
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,414,317	\$1,331,557	\$82,760
Special Revenue	322,269	288,373	33,896
Debt Service	10,200	64	10,136
Capital Projects	641,339	1,340,981	(699,642)
Expendable Trust	42,000	38,711	3,289
Enterprise	750,239	677,374	72,865
Nonexpendable Trust	<u>2,500</u>	<u>0</u>	<u>2,500</u>
Total	<u>\$3,182,864</u>	<u>\$3,677,060</u>	<u>(\$494,196)</u>

For December 31, 2000 the Sewer Capital and Water Capital Funds had expenditures greater than appropriations. The Village also failed to encumber a portion of their expenditures in violation of Ohio Revised Code 5705.41(D).

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,159,300	\$1,190,866	\$31,566
Special Revenue	294,000	299,576	5,576
Debt Service	212,183	102,435	(109,748)
Capital Projects	1,488,000	461,704	(1,026,296)
Expendable Trust	45,000	61,547	16,547
Enterprise	687,000	679,771	(7,229)
Nonexpendable Trust	<u>2,000</u>	<u>0</u>	<u>(2,000)</u>
Total	<u>\$3,887,483</u>	<u>\$2,795,899</u>	<u>(\$1,091,584)</u>

**VILLAGE OF MADISON
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,327,412	\$1,223,608	\$103,804
Special Revenue	287,958	236,744	51,214
Debt Service	206,200	108,061	98,139
Capital Projects	1,436,126	516,865	919,261
Expendable Trust	45,000	30,073	14,927
Enterprise	710,342	690,233	20,109
Nonexpendable Trust	<u>2,500</u>	<u>2,500</u>	<u>0</u>
Total	<u>\$4,015,538</u>	<u>\$2,808,084</u>	<u>\$1,207,454</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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.

Public utilities are also taxed on tangible personal property located within the Village.

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.

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

**VILLAGE OF MADISON
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipation Notes - River Street Improvements	\$760,000	5.25%
Bond Anticipation Notes - Bates Road Improvements	190,000	4.89%
OWDA Loan - Water Tower	204,068	7.96%
OWDA Loan - Sewer Expansion	268,363	7.96%
OWDA Loan - Belt Filter Press	185,533	4.56%
OWDA Loan - Waterline Replacement	1,045,030	4.12%
OWDA Loan - N. Lake St. Waterline	82,000	4.90%
OPWC - N. Lake St. Waterline	<u>62,700</u>	0.00%
Total	<u>\$2,797,694</u>	

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.

The bond anticipation notes are for road repaving.

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

<u>Year Ending December 31,</u>	<u>Improvement Notes</u>	<u>Water Tower- OWDA Loan</u>	<u>Sewer Expansion OWDA Loan</u>	<u>Belt Filter Press OWDA Loan</u>
2001	999,191	15,178	\$18,759	\$8,814
2002	0	30,357	37,518	17,628
2003	0	30,357	37,518	17,628
2004	0	30,357	37,518	17,628
2005	0	30,357	37,518	17,628
2006-2010	0	151,785	187,591	88,141
2011-2015	0	15,179	56,277	88,143
2016-2018	0	0	0	0
Total	<u>\$999,191</u>	<u>\$303,570</u>	<u>\$412,699</u>	<u>\$255,610</u>

**VILLAGE OF MADISON
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

<u>Year Ending December 31,</u>	<u>Water Replace. OWDA Loan</u>	<u>N. Lake St. Waterline OWDA Loan</u>	<u>N. Lake St. Waterline OPWC Loan</u>	<u>TOTALS</u>
2001	43,956	86,018	\$3,800	\$1,175,716
2002	87,911	0	3,800	177,214
2003	87,911	0	3,800	177,214
2004	87,911	0	3,800	177,214
2005	87,911	0	3,800	177,214
2006-2010	439,553	0	19,000	886,070
2011-2015	439,553	0	19,000	618,152
2016-2018	<u>175,821</u>	<u>0</u>	<u>5,700</u>	<u>181,521</u>
Total	<u>\$1,450,527</u>	<u>\$86,018</u>	<u>\$62,700</u>	<u>\$3,570,315</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police & Firemen's Disability and Pension Fund (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. Members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% in 1999 and 10.84% in 2000 of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles, emergency medical services, law enforcement liability; and
- Commercial catastrophe liability, and errors and omissions.

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

8. SUBSEQUENT EVENTS

On January 8, 2001, the Village Council passed a resolution authorizing the Village to borrow a \$250,000 bond to improve the waterworks system of the Village.

**VILLAGE OF MADISON
LAKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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 2000. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

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

Village of Madison
Lake County
220 Third Street
Madison, Ohio 44077

To the Village Council:

We have audited the financial statements of the Village of Madison, Lake County, (the Village) as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated October 5, 2001. 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 Village'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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-30843-001 and 2000-30843-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 5, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village'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 controls over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-30843-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 5, 2001.

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

Jim Petro
Auditor of State

October 5, 2001

**VILLAGE OF MADISON
LAKE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2000-30843-001
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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. The following funds had expenditures that exceeded appropriations for the year ending December 31, 2000:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess Expenditures</u>
Water Capital	\$195,839	\$636,815	\$(440,976)
Sewer Capital	445,000	704,167	(259,167)

The Village had amounts available to appropriate as indicated in their Certificate of Estimated Resources, so it could have increased the above funds appropriations. The Village should monitor the expenditures in comparison to appropriations.

Finding Number	2000-30843-002
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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.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

The Village did not encumber for 38% of the expenditure transactions tested during the audit period. In addition, the Village's purchase orders did not have a location for the Clerk to certify the availability of funds.

This weakness could allow expenditures to exceed the total of the available fund balance and the current year revenues. This could result in a negative fund balance(s).

We recommend the Village begin to use purchase orders for all expenditures to assist in monitoring expenditure activities and to properly certify the availability of funds for any orders or contracts involving the expenditure of money. Where prior certification is not feasible, we encourage the Village to utilize then and now certificates or blanket certificates.

**VILLAGE OF MADISON
LAKE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Finding Number	2000-30843-003
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Cash Reconciliation Procedures

During our review of the cash reconciliations, we noted the following conditions:

- The Village's monthly cash reconciliation procedures did not provide for the review of the reconciliation as prepared by the Clerk-Treasurer;
- The bank reconciliation was not reported to the Mayor or Council along with monthly financial reports;
- The bank reconciliation at December 31, 2000 had an unreconciled difference of \$9,844;
- The outstanding check listings for 2000 was not always accurate;
- Several checks were written and not posted to the ledgers in a timely manner; and,
- Long-time outstanding checks made the reconciliation process cumbersome.

Without timely and accurate reconciliations, the Village may have errors or irregularities that are not detected.

We recommend the reconciliations be initialed and dated by the Village administrator to show evidence of review and that reconciliations be included in monthly financial reports given to the Council and Mayor. The Village should make additional efforts to resolve the unreconciled differences when first noted. In addition, the Village should establish a process of removing long-time outstanding checks and placing the funds in an unclaimed funds account. Finally, all checks should be posted to the ledger immediately.



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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
NOVEMBER 8, 2001**