



**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

August 6, 2010

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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 Village of Madison, Lake County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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, 2009 and 2008 do 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Madison, Lake County, as of December 31, 2009 and 2008, 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 August 6, 2010, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

August 6, 2010



**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, 2009**

	<u>Governmental Fund Types</u>					<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>						
Property and Local Taxes	\$102,718	\$19,836	\$10,732	\$0	\$0	\$133,286
Municipal Income Tax	945,204					945,204
Intergovernmental	264,490	241,496	1,460	113,425		620,871
Special Assessments		172,712				172,712
Charges for Services	14,994	18,670		9,060		42,724
Fines, Licenses and Permits	90,946	12,829				103,775
Earnings on Investments	4,086				1,309	5,395
Miscellaneous	26,478	20,239		11,599		58,316
<b>Total Cash Receipts</b>	<b>1,448,916</b>	<b>485,782</b>	<b>12,192</b>	<b>134,084</b>	<b>1,309</b>	<b>2,082,283</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	535,479	32,227				567,706
Public Health Services		31,471				31,471
Leisure Time Activities	10,964	104,556				115,520
Community Environment						0
Basic Utility Service		90,546				90,546
Transportation		308,896				308,896
General Government	434,291	5,157	171			439,619
Debt Service:						
Redemption of Principal			40,000			40,000
Interest and Fiscal Charges			2,265			2,265
Capital Outlay	94,039	59,051		86,970		240,060
<b>Total Cash Disbursements</b>	<b>1,074,773</b>	<b>631,904</b>	<b>42,436</b>	<b>86,970</b>	<b>0</b>	<b>1,836,083</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>374,143</b>	<b>(146,122)</b>	<b>(30,244)</b>	<b>47,114</b>	<b>1,309</b>	<b>246,200</b>
<b>Other Financing Receipts / (Disbursements):</b>						
Transfers-In		207,500	11,591			219,091
Transfers-Out	(219,091)					(219,091)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(219,091)</b>	<b>207,500</b>	<b>11,591</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>155,052</b>	<b>61,378</b>	<b>(18,653)</b>	<b>47,114</b>	<b>1,309</b>	<b>246,200</b>
Fund Cash Balances, January 1, 2009	575,199	166,574	18,653	93,259	72,488	926,173
<b>Fund Cash Balances, December 31, 2009</b>	<b>\$730,251</b>	<b>\$227,952</b>	<b>\$0</b>	<b>\$140,373</b>	<b>\$73,797</b>	<b>\$1,172,373</b>

*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, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,201,688	\$18,748	\$1,220,436
Fines, Licenses and Permits		82,807	82,807
Miscellaneous	119,856		119,856
	<u>1,321,544</u>	<u>101,555</u>	<u>1,423,099</u>
Total Operating Cash Receipts			
<b>Operating Cash Disbursements:</b>			
Personal Services	173,634		173,634
Employee Fringe Benefits	57,873		57,873
Contractual Services	535,672	69,191	604,863
Supplies and Materials	44,957		44,957
Other	3,458	42,077	45,535
	<u>815,594</u>	<u>111,268</u>	<u>926,862</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>505,950</u>	<u>(9,713)</u>	<u>496,237</u>
<b>Non-Operating Cash Receipts:</b>			
Special Assessments	30,742		30,742
Earnings on Investment		8	8
	<u>30,742</u>	<u>8</u>	<u>30,750</u>
Total Non-Operating Cash Receipts			
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	26,103		26,103
Redemption of Principal	287,023		287,023
Interest and Other Fiscal Charges	118,781		118,781
	<u>431,907</u>	<u>0</u>	<u>431,907</u>
Total Non-Operating Cash Disbursements			
Net Receipts Over/(Under) Disbursements	104,785	(9,705)	95,080
Fund Cash Balances, January 1, 2009	<u>364,064</u>	<u>37,817</u>	<u>401,881</u>
<b>Fund Cash Balances, December 31, 2009</b>	<b><u>\$468,849</u></b>	<b><u>\$28,112</u></b>	<b><u>\$496,961</u></b>

*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, 2008**

	<u>Governmental Fund Types</u>					<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>						
Property and Local Taxes	\$92,478	\$19,860	\$19,684	\$0	\$0	\$132,022
Municipal Income Tax	921,671					921,671
Intergovernmental	232,909	347,004	3,624	67,143		650,680
Special Assessments		97,627				97,627
Charges for Services	15,600	16,330		7,580		39,510
Fines, Licenses and Permits	44,922	1,163				46,085
Earnings on Investments	19,436				1,016	20,452
Miscellaneous	38,280	17,802	4,000	2,074	648	62,804
<b>Total Cash Receipts</b>	<b>1,365,296</b>	<b>499,786</b>	<b>27,308</b>	<b>76,797</b>	<b>1,664</b>	<b>1,970,851</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	520,691	18,424				539,115
Public Health Services		20,597				20,597
Leisure Time Activities	12,084	117,414				129,498
Basic Utility Service		91,449				91,449
Transportation		226,860				226,860
General Government	540,822	3,827	1,361			546,010
Debt Service:						
Redemption of Principal			60,000			60,000
Interest and Fiscal Charges	4,047		2,685			6,732
Capital Outlay	43,622	135,024		24,093		202,739
<b>Total Cash Disbursements</b>	<b>1,121,266</b>	<b>613,595</b>	<b>64,046</b>	<b>24,093</b>	<b>0</b>	<b>1,823,000</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>244,030</b>	<b>(113,809)</b>	<b>(36,738)</b>	<b>52,704</b>	<b>1,664</b>	<b>147,851</b>
<b>Other Financing Receipts / (Disbursements):</b>						
Proceeds from Sale of Public Debt:						
Sale of Notes			40,000			40,000
Transfers-In		69,374				69,374
Transfers-out	(69,374)			(89,024)		(158,398)
Advance-In	88,012	88,012				176,024
Advance-out	(88,012)	(88,012)				(176,024)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(69,374)</b>	<b>69,374</b>	<b>40,000</b>	<b>(89,024)</b>	<b>0</b>	<b>(49,024)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>174,656</b>	<b>(44,435)</b>	<b>3,262</b>	<b>(36,320)</b>	<b>1,664</b>	<b>98,827</b>
<b>Fund Cash Balances, January 1, 2008</b>	<b>400,543</b>	<b>211,009</b>	<b>15,391</b>	<b>129,579</b>	<b>70,824</b>	<b>827,346</b>
<b>Fund Cash Balances, December 31, 2008</b>	<b>\$575,199</b>	<b>\$166,574</b>	<b>\$18,653</b>	<b>\$93,259</b>	<b>\$72,488</b>	<b>\$926,173</b>

*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, 2008**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,260,681	\$7,013	\$1,267,694
Fines, Licenses and Permits		43,348	43,348
Miscellaneous	95		95
Total Operating Cash Receipts	<u>1,260,776</u>	<u>50,361</u>	<u>1,311,137</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	161,096		161,096
Employee Fringe Benefits	59,209		59,209
Contractual Services	512,589	33,630	546,219
Supplies and Materials	54,737		54,737
Other	7,589	58	7,647
Total Operating Cash Disbursements	<u>795,220</u>	<u>33,688</u>	<u>828,908</u>
Operating Income/(Loss)	<u>465,556</u>	<u>16,673</u>	<u>482,229</u>
<b>Non-Operating Cash Receipts:</b>			
Special Assessments	22,103		22,103
Total Non-Operating Cash Receipts	<u>22,103</u>	<u>0</u>	<u>22,103</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	47,648		47,648
Redemption of Principal	277,861		277,861
Interest and Other Fiscal Charges	127,465		127,465
Total Non-Operating Cash Disbursements	<u>452,974</u>	<u>0</u>	<u>452,974</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	34,685	16,673	51,358
Transfers-In	89,024		89,024
Net Receipts Over/(Under) Disbursements	123,709	16,673	140,382
Fund Cash Balances, January 1, 2008	<u>240,355</u>	<u>21,144</u>	<u>261,499</u>
<b>Fund Cash Balances, December 31, 2008</b>	<b><u><u>\$364,064</u></u></b>	<b><u><u>\$37,817</u></u></b>	<b><u><u>\$401,881</u></u></b>

*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, 2009 AND 2008**

**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, (the Village) as a body corporate and politic. A publicly-elected seven-member Council directs the Village. The Village provides general governmental services, including water and sewer utilities, rubbish collections, building, zoning and police protection.

The Village participates in one jointly governed organization, the Northeast Ohio Public Energy Council. This organization is presented in Note 9 of the financial statements.

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. Deposits 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. STAR Ohio is recorded at share value the State Treasurer reports.

**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.

**VILLAGE OF MADISON  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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 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 OWDA and OPWC loan indebtedness.

**4. Capital Project Fund**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust 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. 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:

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.

**VILLAGE OF MADISON  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**6. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services 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 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.

**7. Fiduciary Funds**

Fiduciary funds include private purpose 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 agency 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.

**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.

**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.

**VILLAGE OF MADISON  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**E. Budgetary Process (Continued)**

**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 2009 and 2008 budgetary activity appears in Note 3.

**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 Deposits 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 deposits and investments at December 31 was as follows:

	2009	2008
Demand deposits	\$661,225	\$274,581
Certificates of deposit	115,986	113,703
Total deposits	777,211	388,284
 STAR Ohio	 892,123	 939,770
Total investments	892,123	939,770
Total deposits and investments	\$1,669,334	\$1,328,054

**Deposits:** Deposits are 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.



**VILLAGE OF MADISON  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,166,699	\$1,448,916	\$282,217
Special Revenue	644,926	693,282	48,356
Debt Service	26,337	23,783	(2,554)
Capital Projects	46,000	134,084	88,084
Enterprise	1,441,000	1,352,286	(88,714)
Permanent	2,000	1,309	(691)
Total	<u>\$3,326,962</u>	<u>\$3,653,660</u>	<u>\$326,698</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,488,978	\$1,293,864	\$195,114
Special Revenue	698,262	631,904	66,358
Debt Service	43,350	42,436	914
Capital Projects	113,627	86,970	26,657
Enterprise	1,516,850	1,247,501	269,349
Permanent	0	0	0
Total	<u>\$3,861,067</u>	<u>\$3,302,675</u>	<u>\$558,392</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,300,583	\$1,365,296	\$64,713
Special Revenue	399,432	569,160	169,728
Debt Service	72,868	67,308	(5,560)
Capital Projects	46,000	76,797	30,797
Enterprise	1,437,358	1,371,903	(65,455)
Permanent	0	1,664	1,664
Total	<u>\$3,256,241</u>	<u>\$3,452,128</u>	<u>\$195,887</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,379,454	\$1,190,640	\$188,814
Special Revenue	680,934	613,595	67,339
Debt Service	65,350	64,046	1,304
Capital Projects	134,524	113,117	21,407
Enterprise	1,612,656	1,248,194	364,462
Permanent	0	0	0
Total	<u>\$3,872,918</u>	<u>\$3,229,592</u>	<u>\$643,326</u>

**VILLAGE OF MADISON  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

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

Tangible personal property tax is assessed by the property owners for 2008 and only against local and inter-exchange telephone companies for 2009, who must file a list of such 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 behalf of the Village.

**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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - Water Tower	\$41,144	7.96%
OWDA Loan - Sewer Expansion	81,853	7.96%
OWDA Loan - Belt Filter Press	91,635	4.56%
OWDA Loan - Waterline Replacement	594,021	4.12%
OWDA Loan - #531 SRF	199,774	3.50%
OWDA Loan - Water System Improvement	696,700	4.29%
OWDA Loan - Sewer System Improvement	685,558	4.29%
OWDA Loan - EPA Sewer Improvement	194,310	2.75%
OPWC - N. Lake St. Waterline	30,400	0.00%
OPWC - Eagle Street	5,000	0.00%
OPWC - River E. Main Waterline	30,000	0.00%
OPWC - West Main Waterline	10,000	0.00%
Total	<u><u>\$2,660,395</u></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. These debts will be repaid from the water and sewer funds.

**VILLAGE OF MADISON  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**6. Debt (Continued)**

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

Year ending December 31:	OWDA Water Tower	OWDA Sewer Expansion	OWDA Belt Filter	OWDA Water Replacement
2010	\$29,962	\$36,732	\$17,628	\$87,910
2011	15,044	37,030	17,628	87,910
2012		18,592	17,628	87,910
2013			17,628	87,910
2014			17,628	87,910
2015-2017			17,628	263,731
Total	<u>\$45,006</u>	<u>\$92,355</u>	<u>\$105,769</u>	<u>\$703,282</u>

Year ending December 31:	OWDA Sewer Replacement	OWDA Water Improvement	OWDA Sewer Improvement	OWDA EPA Sewer Improvement
2010	\$21,251	\$58,361	\$57,216	\$80,959
2011	21,251	58,361	57,216	80,959
2012	21,251	58,361	57,216	40,480
2013	21,251	58,361	57,216	
2014	21,251	58,361	57,216	
2015-2019	106,256	291,804	286,082	
2020-2024	31,877	291,804	286,082	
2025-2026		116,721	114,433	
Total	<u>\$244,388</u>	<u>\$992,132</u>	<u>\$972,680</u>	<u>\$202,399</u>

Year ending December 31:	OPWC North Lake Street	OPWC Eagle Street	OPWC East Main	OPWC West Main
2010	\$3,800	\$5,000	\$2,500	\$5,000
2011	3,800		2,500	5,000
2012	3,800		2,500	
2013	3,800		2,500	
2014	3,800		2,500	
2015-2019	11,400		12,500	
2020-2022			5,000	
Total	<u>\$30,400</u>	<u>\$5,000</u>	<u>\$30,000</u>	<u>\$10,000</u>

**7. Retirement Systems**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF MADISON  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. Retirement Systems (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 10% of their wages. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**8. Risk Management**

The Village has obtained commercial insurance for the following risks:

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

**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 124 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 2008 and 2009. Financial information can be obtained by contacting NOPEC, 31320 Solon Road Suite 20, Solon, Ohio 44139.



# 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, 2009 and 2008, and have issued our report thereon dated August 6, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters that we reported to the Village's management in a separate letter dated August 6, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 6, 2010

**VILLAGE OF MADISON  
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND DECEMBER 31, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No <u>Longer Valid</u> ; <b>Explain:</b>
2007-001	Ohio Revised Code 5705.41 (B)	Yes	
2007-002	Ohio Revised Code 5705.41(D)	No	Partially corrected. Issued as a management letter comment.
2007-003	Ohio Revised Code 5705.36	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  
AUGUST 31, 2010**