

VILLAGE OF MADISON

LAKE COUNTY

Audit Report

For the Years Ended December 31, 2017 and 2016





Dave Yost • Auditor of State

Village Council
Village of Madison
126 West Main Street
Madison, OH 44507

We have reviewed the *Independent Auditor's Report* of the Village of Madison, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Madison is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 11, 2018

This page intentionally left blank.

**VILLAGE OF MADISON
LAKE COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types - For the Year Ended December 31, 2017	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2017	4
Notes to the Financial Statements For the Year Ended December 31, 2017	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types - For the Year Ended December 31, 2016	15
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2016	16
Notes to the Financial Statements For the Year Ended December 31, 2016	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliances and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Prepared by Management:	
Schedule of Prior Audit Findings	28

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Madison, Lake County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Madison, Lake County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
March 30, 2018

Village of Madison, Ohio
Lake County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$92,747	\$245,738	\$0	\$0	\$0	\$338,485
Municipal Income Tax	983,595	0	0	0	0	983,595
Intergovernmental	215,992	289,423	0	114,130	0	619,545
Special Assessments	6,979	126,985	0	0	0	133,964
Charges for Services	60,151	19,402	0	9,274	0	88,827
Fines, Licenses and Permits	77,912	3,819	0	0	0	81,731
Earnings on Investments	3,658	1,199	0	0	161	5,018
Miscellaneous	8,943	61,294	0	0	0	70,237
<i>Total Cash Receipts</i>	<u>1,449,977</u>	<u>747,860</u>	<u>0</u>	<u>123,404</u>	<u>161</u>	<u>2,321,402</u>
Cash Disbursements						
Current:						
Security of Persons and Property	0	603,194	0	0	0	603,194
Public Health Services	0	29,930	0	0	0	29,930
Leisure Time Activities	18,342	126,580	0	0	0	144,922
Community Environment	2,743	29,067	0	0	0	31,810
Basic Utility Services	0	117,183	0	0	0	117,183
Transportation	0	291,438	0	0	0	291,438
General Government	436,449	4,689	0	0	0	441,138
Capital Outlay	209,676	267,114	0	123,634	0	600,424
Debt Service:						
Principal Retirement	0	32,900	0	0	0	32,900
Interest and Fiscal Charges	0	4,797	0	0	0	4,797
<i>Total Cash Disbursements</i>	<u>667,210</u>	<u>1,506,892</u>	<u>0</u>	<u>123,634</u>	<u>0</u>	<u>2,297,736</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>782,767</u>	<u>(759,032)</u>	<u>0</u>	<u>(230)</u>	<u>161</u>	<u>23,666</u>
Other Financing Receipts (Disbursements)						
Sale of Capital Assets	11,827	2,802	0	0	0	14,629
Transfers In	0	827,800	0	0	0	827,800
Transfers Out	(827,800)	0	0	0	0	(827,800)
Advances In	80,000	0	0	0	0	80,000
Advances Out	0	(80,000)	0	0	0	(80,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(735,973)</u>	<u>750,602</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,629</u>
<i>Net Change in Fund Cash Balances</i>	46,794	(8,430)	0	(230)	161	38,295
<i>Fund Cash Balances, January 1 (Note 13)</i>	<u>509,449</u>	<u>639,634</u>	<u>91</u>	<u>246,325</u>	<u>75,314</u>	<u>1,470,813</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	72,363	72,363
Restricted	0	631,204	0	246,095	3,112	880,411
Committed	0	0	91	0	0	91
Assigned	1,413	0	0	0	0	1,413
Unassigned	554,830	0	0	0	0	554,830
<i>Fund Cash Balances, December 31</i>	<u>\$556,243</u>	<u>\$631,204</u>	<u>\$91</u>	<u>\$246,095</u>	<u>\$75,475</u>	<u>\$1,509,108</u>

See accompanying notes to the basic financial statements

Village of Madison, Ohio
Lake County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$1,766,427	\$2,166	\$1,768,593
Fines, Licenses and Permits	0	46,671	46,671
Earnings on Investments	0	1	1
Miscellaneous	6,237	0	6,237
<i>Total Operating Cash Receipts</i>	<u>1,772,664</u>	<u>48,838</u>	<u>1,821,502</u>
Operating Cash Disbursements			
Personal Services	221,976	0	221,976
Employee Fringe Benefits	88,090	0	88,090
Contractual Services	455,007	38,906	493,913
Supplies and Materials	55,615	1,569	57,184
Other	81,904	24,735	106,639
<i>Total Operating Cash Disbursements</i>	<u>902,592</u>	<u>65,210</u>	<u>967,802</u>
<i>Operating Income (Loss)</i>	<u>870,072</u>	<u>(16,372)</u>	<u>853,700</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	33,148	0	33,148
Sale of Capital Assets	3,050	0	3,050
Miscellaneous Receipts	0	3,864	3,864
Capital Outlay	(122,900)	0	(122,900)
Principal Retirement	(210,983)	0	(210,983)
Interest and Other Fiscal Charges	(68,610)	0	(68,610)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(366,295)</u>	<u>3,864</u>	<u>(362,431)</u>
<i>Net Change in Fund Cash Balances</i>	503,777	(12,508)	491,269
<i>Fund Cash Balances, January 1</i>	<u>1,587,379</u>	<u>52,158</u>	<u>1,639,537</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,091,156</u>	<u>\$39,650</u>	<u>\$2,130,806</u>

See accompanying notes to the basic financial statements

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Madison, Lake County (the Village) is a body corporate and politic established for the purpose of exercising 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 water and sewer utilities, park operations, public service and police services. The Village contracts with Madison Fire District to receive fire protection services. Effective January 1, 2010, the Village began operating under the municipal charter form of government as approved by vote of the people on November 3, 2009.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in a jointly governed organization, and a public entity risk pool. Notes 11 and 12 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recoding of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The 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.

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

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

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Debt Service Funds This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for debt principal and interest. The only debt service fund is the general obligation debt service fund, which is not active at this time.

Capital Project Funds 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 to the Senior Citizens Center.

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.

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 and infrastructure.

Sewer Capital Fund – This fund receives proceeds from sewer charges which are used to improve the Village’s Waste Water Treatment Plant and infrastructure.

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

Sewer Operating Fund – This fund receives charges for services from residents to cover the cost of treating waste water under the compliance of the Ohio EPA.

Fiduciary Funds Agency Funds: 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 agency funds account for the collection and distribution of Mayor’s Court fines, fees, and bonds, construction deposits and community fundraising.

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve the 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. Encumbrances outstanding at year-end are carried-forward and need not be re-appropriated.

A summary of 2017 budgetary activity appears in Note 3.

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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,350,450	\$1,541,804	\$191,354
Special Revenue	1,586,905	1,578,462	(8,443)
Capital Projects	121,100	123,404	2,304
Enterprise	1,620,400	1,808,862	188,462
Permanent	200	161	(39)

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,536,734	\$1,496,423	\$40,311
Special Revenue	1,920,527	1,586,892	333,635
Capital Projects	163,762	123,634	40,128
Enterprise	2,259,820	1,308,492	951,328
Permanent	-	-	-

Note 4 – Deposits and Investments

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

	2017
Demand deposits	\$3,114,988
Certificates of deposit	118,530
Other time deposits (savings and NOW accounts)	107,464
Total deposits	3,340,982
STAR Ohio	298,932
Total investments	298,932
Total deposits and investments	\$3,639,914

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

Investments

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

Note 5 – Taxes

Property Taxes

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

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

Income Taxes

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.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The Village participates in a Group Experience Rating through the Ohio Municipal League (see note 12), and the plan is administered by CompManagement, LLC, a Third Party Administrator (TPA).

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Equipment;
- Vehicles;
- Errors & Omissions
- Flood Insurance (Water and Waste Water Treatment Plant buildings)

Settled claims have not exceeded coverage in any of the last three years, and there was no significant reduction in coverage from the prior year.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Thirty-four employees (including elected and appointed public officials) belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

Full-time Village Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$10,000	-
Ohio Water Development Authority Loans	1,699,010	2.8 - 4.5%
Total	\$1,709,010	

The Ohio Water Development Authority (OWDA) loans relate to improvements in water and sewer plants and lines. The Ohio Public Works Commission (OPWC) loans were for upgrades to the Village’s waterlines. There is one OPWC Loan, and a total of four OWDA Loans. Only one OWDA Loan (6443) is still open as of December 31, 2017, and the scheduled payment amount below assumes that \$1,051,910 will be borrowed, although at year-end only \$868,582 of that had been disbursed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize these loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Leases

The Village disbursed \$37,697 to pay lease costs for the year ended December 31, 2017. The Village entered into a five-year capital lease for a MACK dump truck in 2015, with an annual payment of \$28,572. The Village entered into a five-year capital lease for a TORO sidewalk plow machine in 2016, with an annual payment of \$9,125. Scheduled future lease payments for both leases are outlined in the amortization chart below.

Amortization

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

Year Ending December 31	Capital Leases	OWDA Loans	OPWC Loans
2018	\$37,697	\$189,165	\$2,500
2019	37,697	189,165	2,500
2020	9,125	189,165	2,500
2021	9,125	178,540	2,500
2022-2026	0	839,570	0
2027-2031	0	261,684	0
2032-2036	0	261,684	0
2037-2041	0	261,684	0
2042-2046	0	104,674	0
Total	\$93,644	\$2,475,331	\$10,000

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Contingent Liabilities

The Village is a defendant in one lawsuit. Although management cannot presently determine the outcome of this suit, management believes at this time that the resolution of this matter should not materially adversely affect the Village's financial condition.

Note 11 – Jointly Governed Organizations

The Village is a member of Northeast Ohio Public Energy Council (NOPEC), which 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 electricity and/or natural gas. NOPEC is currently comprised of 124 communities who have been authorized by ballot to purchase electricity and/or natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and/or natural gas 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 service 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 a participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2017. Financial information can be obtained by contacting NOPEC, 31320 Solon Rd. Suite 20, Solon, OH 44139.

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 13 – Fund Balance

The Village adjusted the beginning fund balance of the General Fund (\$47), several Special Revenue Funds (\$49) and several Enterprise Funds (\$150) due to stale checks from prior years that were voided and reissued in 2017.

Note 14 – Transfers

The General fund transferred \$827,800 to various Special Revenue funds to subsidize operations. These transfers were made in accordance with the Ohio Revised Code.

(This page left intentionally blank)

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

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$93,046	\$247,350	\$0	\$0	\$0	\$340,396
Municipal Income Tax	1,037,757	0	0	0	0	1,037,757
Intergovernmental	110,872	495,680	0	113,371	0	719,923
Special Assessments	8,383	127,855	0	0	0	136,238
Charges for Services	41,898	18,223	0	10,004	0	70,125
Fines, Licenses and Permits	87,747	3,934	0	0	0	91,681
Earnings on Investments	2,428	606	0	0	370	3,404
Miscellaneous	25,318	26,752	0	0	0	52,070
<i>Total Cash Receipts</i>	<u>1,407,449</u>	<u>920,400</u>	<u>0</u>	<u>123,375</u>	<u>370</u>	<u>2,451,594</u>
Cash Disbursements						
Current:						
Security of Persons and Property	3,906	507,158	0	0	0	511,064
Public Health Services	0	37,598	0	0	0	37,598
Leisure Time Activities	21,080	136,917	0	0	0	157,997
Community Environment	0	257,076	0	0	0	257,076
Basic Utility Services	0	117,063	0	0	0	117,063
Transportation	0	276,705	0	0	0	276,705
General Government	466,052	5,186	0	0	0	471,238
Capital Outlay	140,520	77,006	0	411,330	0	628,856
Debt Service:						
Principal Retirement	0	24,394	0	0	0	24,394
Interest and Fiscal Charges	0	4,179	0	0	0	4,179
<i>Total Cash Disbursements</i>	<u>631,558</u>	<u>1,443,282</u>	<u>0</u>	<u>411,330</u>	<u>0</u>	<u>2,486,170</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>775,891</u>	<u>(522,882)</u>	<u>0</u>	<u>(287,955)</u>	<u>370</u>	<u>(34,576)</u>
Other Financing Receipts (Disbursements)						
Other Debt Proceeds	0	0	0	292,945	0	292,945
Sale of Capital Assets	95	1,348	0	0	0	1,443
Transfers In	0	633,300	0	0	0	633,300
Transfers Out	(643,300)	0	0	0	0	(643,300)
Advances In	0	50,000	0	0	0	50,000
Advances Out	(50,000)	0	0	0	0	(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(693,205)</u>	<u>684,648</u>	<u>0</u>	<u>292,945</u>	<u>0</u>	<u>284,388</u>
<i>Net Change in Fund Cash Balances</i>	82,686	161,766	0	4,990	370	249,812
<i>Fund Cash Balances, January 1 (Note 14)</i>	<u>426,716</u>	<u>477,819</u>	<u>91</u>	<u>241,335</u>	<u>74,944</u>	<u>1,220,905</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	72,363	72,363
Restricted	0	639,585	0	246,325	2,951	888,861
Committed	0	0	91	0	0	91
Assigned	4,882	0	0	0	0	4,882
Unassigned	504,520	0	0	0	0	504,520
<i>Fund Cash Balances, December 31</i>	<u>\$509,402</u>	<u>\$639,585</u>	<u>\$91</u>	<u>\$246,325</u>	<u>\$75,314</u>	<u>\$1,470,717</u>

See accompanying notes to the basic financial statements

Village of Madison, Ohio
Lake County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,626,887	\$2,032	\$1,628,919
Fines, Licenses and Permits	0	65,908	65,908
Miscellaneous	5,236	2	5,238
<i>Total Operating Cash Receipts</i>	<u>1,632,123</u>	<u>67,942</u>	<u>1,700,065</u>
Operating Cash Disbursements			
Personal Services	225,714	0	225,714
Employee Fringe Benefits	95,538	0	95,538
Contractual Services	444,056	78,708	522,764
Supplies and Materials	80,622	1,700	82,322
Other	60,612	16,768	77,380
<i>Total Operating Cash Disbursements</i>	<u>906,542</u>	<u>97,176</u>	<u>1,003,718</u>
<i>Operating Income (Loss)</i>	<u>725,581</u>	<u>(29,234)</u>	<u>696,347</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	32,229	0	32,229
Miscellaneous Receipts	0	3,121	3,121
Capital Outlay	(75,350)	0	(75,350)
Principal Retirement	(203,038)	0	(203,038)
Interest and Other Fiscal Charges	(75,325)	0	(75,325)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(321,484)</u>	<u>3,121</u>	<u>(318,363)</u>
<i>Income (Loss) before Transfers</i>	404,097	(26,113)	377,984
Transfers In	10,000	0	10,000
<i>Net Change in Fund Cash Balances</i>	414,097	(26,113)	387,984
<i>Fund Cash Balances, January 1</i>	<u>1,173,132</u>	<u>78,271</u>	<u>1,251,403</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,587,229</u>	<u>\$52,158</u>	<u>\$1,639,387</u>

See accompanying notes to the basic financial statements

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Madison, Lake County (the Village) is a body corporate and politic established for the purpose of exercising 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 water and sewer utilities, park operations, public service and police services. The Village contracts with Madison Fire District to receive fire protection services. Effective January 1, 2010, the Village began operating under the municipal charter form of government as approved by vote of the people on November 3, 2009.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in a jointly governed organization, and a public entity risk pool. Notes 12 and 13 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recoding of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The 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.

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

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

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Debt Service Funds This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for debt principal and interest. The only debt service fund is the general obligation debt service fund, which is not active at this time.

Capital Project Funds 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 to the Senior Citizens Center.

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.

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 and infrastructure.

Sewer Capital Fund – This fund receives proceeds from sewer charges which are used to improve the Village's Waste Water Treatment Plant and infrastructure.

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

Sewer Operating Fund – This fund receives charges for services from residents to cover the cost of treating waste water under the compliance of the Ohio EPA.

Fiduciary Funds Agency Funds: 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 agency funds account for the collection and distribution of Mayor's Court fines, fees, and bonds, construction deposits and community fundraising.

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve the 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. Encumbrances outstanding at year-end are carried-forward and need not be re-appropriated.

A summary of 2016 budgetary activity appears in Note 3.

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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,249,500	\$1,407,544	\$158,044
Special Revenue	1,679,355	1,605,048	(74,307)
Capital Projects	481,898	416,320	(65,578)
Enterprise	1,483,600	1,674,352	190,752
Permanent	250	370	120

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,470,602	\$1,329,740	\$140,862
Special Revenue	1,753,529	1,450,404	303,125
Capital Projects	510,876	411,330	99,546
Enterprise	2,185,989	1,264,923	921,066
Permanent	-	-	-

Note 4 – Deposits and Investments

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

	2016
Demand deposits	\$2,588,733
Certificates of deposit	118,299
Other time deposits (savings and NOW accounts)	107,311
Total deposits	2,814,343
STAR Ohio	295,761
Total investments	295,761
Total deposits and investments	\$3,110,104

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

Investments

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

Note 5 – Taxes

Property Taxes

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

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

Income Taxes

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.

Note 6 – Interfund Balances

Advances

Outstanding advances at December 31, 2016, consisted of \$65,000 advanced from General Fund to the SWIF Grant Fund; and \$15,000 advanced from the General Fund to the 319 Grant Fund to provide working capital for operations or projects.

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The Village participates in a Group Experience Rating through the Ohio Municipal League (see note 13), and the plan is administered by Comanagement, LLC, a Third Party Administrator (TPA).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Equipment;
- Vehicles;
- Errors & Omissions
- Flood Insurance (Water and Waste Water Treatment Plant buildings)

Settled claims have not exceeded coverage in any of the last three years, and there was no significant reduction in coverage from the prior year.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Thirty-four employees (including elected and appointed public officials) belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

Full-time Village Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$16,300	-
Ohio Water Development Authority Loans	1,903,693	2.8 - 4.5%
Total	\$1,919,993	

The Ohio Water Development Authority (OWDA) loans relate to improvements in water and sewer plants and lines. The Ohio Public Works Commission (OPWC) loans were for upgrades to the Village's waterlines. There is a total of two OPWC Loans, and a total of five OWDA Loans. Only one OWDA Loan (6443) is still open as of December 31, 2016, and the scheduled payment amount below assumes that \$1,051,910 will be borrowed, although at year-end only \$868,457 of that had been disbursed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize these loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Leases

The Village entered into a capital lease for a dump truck in 2015. The Village disbursed \$28,572 to pay lease costs for the year ended December 31, 2016. The Village entered into a capital lease for a sidewalk plow machine in 2016. The Village's first lease payment is scheduled for 2017 in the amount of \$9,125. Scheduled future lease payments for both leases are outlined in the amortization chart below.

Amortization

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

Year Ending December 31	Capital Leases	OWDA Loans	OPWC Loans
2017	\$37,697	\$277,075	\$6,300
2018	37,697	189,165	2,500
2019	37,697	189,165	2,500
2020	9,125	189,165	2,500
2021	9,125	178,540	2,500
2022-2026	0	839,570	0
2027-2031	0	261,684	0
2032-2036	0	261,684	0
2037-2041	0	261,684	0
2042-2046	0	104,674	0
Total	\$131,341	\$2,752,406	\$16,300

Village of Madison, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Contingent Liabilities

The Village is a defendant in one lawsuit. Although management cannot presently determine the outcome of these suits, management believes at this time that the resolution of these matters should not materially adversely affect the Village's financial condition.

Note 12 – Jointly Governed Organizations

The Village is a member of Northeast Ohio Public Energy Council (NOPEC), which 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 electricity and/or natural gas. NOPEC is currently comprised of 124 communities who have been authorized by ballot to purchase electricity and/or natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and/or natural gas 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 service 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 a participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2016. Financial information can be obtained by contacting NOPEC, 31320 Solon Rd. Suite 20, Solon, OH 44139.

Note 13 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 14 – Fund Balance

The Village adjusted the beginning fund balances of the General Fund by \$89 and the Permanent Fund by \$208 due to correct errors in the recording of interest earnings.

Note 15 – Transfers

The General fund transferred \$643,300 to various Special Revenue and Enterprise funds to subsidize operations. These transfers were made in accordance with the Ohio Revised Code.

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Madison, Lake County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated March 30, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

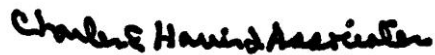
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 30, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
March 30, 2018

VILLAGE OF MADISON
LAKE COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 5705.41(B) – Appropriations exceeded by actual disbursements	Corrected	

This page intentionally left blank.



Dave Yost • 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
JUNE 21, 2018