

VILLAGE OF MADISON

LAKE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2011 & 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Village Council
Village of Madison
126 Main Street
Madison, Ohio 44057

We have reviewed the *Report of Independent Accountants* of the Village of Madison, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

October 31, 2012

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**VILLAGE OF MADISON
LAKE COUNTY
DECEMBER 31, 2011 AND 2010**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Madison, Lake County, Ohio (the Village), as and for the years ended December 31, 2011 and 2010. 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. We believe that 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.

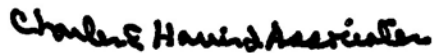
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments 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.

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, 2011 and 2010, 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, 2011 and 2010, or its changes in financial position or cash flows 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, 2011 and 2010 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 10, for 2011, the Village implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2012, 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 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.



Charles E. Harris & Associates, Inc.

June 11, 2012

**VILLAGE OF MADISON
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts					
Property and Other Local Taxes	\$ 102,607	\$ 17,967	\$ -	\$ -	\$ 120,574
Municipal Income Tax	873,623	-	-	-	873,623
Intergovernmental	180,395	277,681	245,779	-	703,855
Special Assessments	-	141,968	-	-	141,968
Charges for Services	15,360	16,192	3,919	-	35,471
Fines, Licenses and Permits	100,311	7,118	-	-	107,429
Earnings on Investments	1,422	-	192	313	1,927
Miscellaneous	22,608	39,600	-	-	62,208
<i>Total Cash Receipts</i>	<u>1,296,326</u>	<u>500,526</u>	<u>249,890</u>	<u>313</u>	<u>2,047,055</u>
Cash Disbursements					
Current:					
Security of Persons and Property	703,715	30,588	-	-	734,303
Public Health Services	-	32,785	-	-	32,785
Leisure Time Activities	19,688	147,032	-	-	166,720
Basic Utility Services	-	92,373	-	-	92,373
Transportation	-	303,862	-	-	303,862
General Government	426,854	6,716	-	-	433,570
Capital Outlay	56,622	36,197	387,728	-	480,547
<i>Total Cash Disbursements</i>	<u>1,206,879</u>	<u>649,553</u>	<u>387,728</u>	<u>-</u>	<u>2,244,160</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	89,447	(149,027)	(137,838)	313	(197,105)
Other Financing Receipts (Disbursements)					
Sale of Bonds	-	-	150,000	-	150,000
Transfers In	2,591	214,500	-	-	217,091
Transfers Out	(214,500)	(2,591)	-	-	(217,091)
Advances In	110,000	-	-	-	110,000
Advances Out	-	(50,000)	(60,000)	-	(110,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(101,909)</u>	<u>161,909</u>	<u>90,000</u>	<u>-</u>	<u>150,000</u>
<i>Net Change in Fund Cash Balances</i>	(12,462)	12,882	(47,838)	313	(47,105)
<i>Fund Cash Balances, January 1</i>	<u>218,517</u>	<u>222,848</u>	<u>274,754</u>	<u>74,181</u>	<u>790,300</u>
Fund Cash Balances, December 31					
Restricted	-	235,730	226,916	2,131	464,777
Nonspendable	-	-	-	72,363	72,363
Unassigned	206,055	-	-	-	206,055
<i>Fund Cash Balances, December 31</i>	<u>\$ 206,055</u>	<u>\$ 235,730</u>	<u>\$ 226,916</u>	<u>\$ 74,494</u>	<u>\$ 743,195</u>

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

**VILLAGE OF MADISON
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 1,210,864	\$ 4,372	\$ 1,215,236
Fines, Licenses and Permits	-	90,113	90,113
Miscellaneous	685	3,814	4,499
<i>Total Operating Cash Receipts</i>	<u>1,211,549</u>	<u>98,299</u>	<u>1,309,848</u>
Operating Cash Disbursements			
Personal Services	165,832	-	165,832
Employee Fringe Benefits	73,988	-	73,988
Contractual Services	486,170	63,775	549,945
Supplies and Materials	40,447	165	40,612
Other	3,127	32,061	35,188
<i>Total Operating Cash Disbursements</i>	<u>769,564</u>	<u>96,001</u>	<u>865,565</u>
<i>Operating Income (Loss)</i>	441,985	2,298	444,283
Non-Operating Receipts (Disbursements)			
Special Assessments	39,145	-	39,145
Miscellaneous Receipts	-	2,621	2,621
Capital Outlay	(110,501)	-	(110,501)
Principal Retirement	(214,246)	-	(214,246)
Interest and Other Fiscal Charges	(93,994)	-	(93,994)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(379,596)</u>	<u>2,621</u>	<u>(376,975)</u>
<i>Income (Loss)</i>	62,389	4,919	67,308
<i>Fund Cash Balances, January 1</i>	<u>545,895</u>	<u>16,741</u>	<u>562,636</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 608,284</u>	<u>\$ 21,660</u>	<u>\$ 629,944</u>

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

**VILLAGE OF MADISON
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$ 99,781	\$ 17,447	\$ -	\$ -	\$ 117,228
Municipal Income Tax	874,703	-	-	-	874,703
Intergovernmental	239,949	281,425	425,504	-	946,878
Special Assessments	-	153,074	-	-	153,074
Charges for Services	15,130	22,085	10,940	-	48,155
Fines, Licenses and Permits	87,510	4,265	-	-	91,775
Earnings on Investments	1,840	-	-	384	2,224
Miscellaneous	10,957	66,777	690	-	78,424
Total Cash Receipts	<u>1,329,870</u>	<u>545,073</u>	<u>437,134</u>	<u>384</u>	<u>2,312,461</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	630,503	28,162	-	-	658,665
Public Health Services	-	28,495	-	-	28,495
Leisure Time Activities	11,446	146,108	-	-	157,554
Basic Utility Service	-	95,584	-	-	95,584
Transportation	-	362,340	-	-	362,340
General Government	517,057	4,700	-	-	521,757
Capital Outlay	56,598	290,653	502,753	-	850,004
Total Cash Disbursements	<u>1,215,604</u>	<u>956,042</u>	<u>502,753</u>	<u>-</u>	<u>2,674,399</u>
Total Receipts Over/(Under) Disbursements	114,266	(410,969)	(65,619)	384	(361,938)
Other Financing Receipts / (Disbursements):					
Transfers-In	-	276,000	-	-	276,000
Transfers-Out	(276,000)	-	-	-	(276,000)
Advances-In	100,000	150,000	300,000	-	550,000
Advances-Out	(450,000)	-	(100,000)	-	(550,000)
Total Other Financing Receipts / (Disbursements)	<u>(626,000)</u>	<u>426,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(511,734)	15,031	134,381	384	(361,938)
Fund Cash Balances, January 1	730,251	207,817	140,373	73,797	1,152,238
Fund Cash Balances, December 31	<u>\$ 218,517</u>	<u>\$ 222,848</u>	<u>\$ 274,754</u>	<u>\$ 74,181</u>	<u>\$ 790,300</u>

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

**VILLAGE OF MADISON
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,118,572	\$ 1,000	\$ 1,119,572
Fines, Licenses and Permits	-	94,589	94,589
Miscellaneous	650	-	650
	<u>1,119,222</u>	<u>95,589</u>	<u>1,214,811</u>
Operating Cash Disbursements:			
Personal Services	162,842	-	162,842
Employee Fringe Benefits	71,961	-	71,961
Contractual Services	468,047	53,201	521,248
Supplies and Materials	43,215	-	43,215
Other	2,928	32,623	35,551
	<u>748,993</u>	<u>85,824</u>	<u>834,817</u>
Operating Income/(Loss)	370,229	9,765	379,994
Non-Operating Cash Receipts (Disbursements)			
Special Assessments	41,140	-	41,140
Earnings on Investments	-	8	8
Capital Outlay	(29,967)	-	(29,967)
Principal Retirement	(223,232)	-	(223,232)
Interest and Fiscal Charges	(102,129)	-	(102,129)
	<u>(314,188)</u>	<u>8</u>	<u>(314,180)</u>
Income/(Loss)	56,041	9,773	65,814
Fund Cash Balances, January 1	489,854	6,968	496,822
Fund Cash Balances, December 31	<u>\$ 545,895</u>	<u>\$ 16,741</u>	<u>\$ 562,636</u>

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

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 six-member Council directs the Village. 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.

The Village participates in one jointly governed organization. Note 11 to the financial statements provides additional information for these entities. This organization is:

Jointly Governed Organizations:

The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity.

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 money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies – (continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from 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.

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.

3. 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.

4. 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, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies – (continued)

5. 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.

6. 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 these funds as directed by the individual, organization or other government. The Village's agency 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 certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

VILLAGE OF MADISON
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies – (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 canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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:

1. Nonspendable

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

2. 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.

3. Committed

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

4. 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.

5. 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.

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies – (continued)

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.

G. 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.

H. 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 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:

	2011	2010
Demand deposits	\$355,195	\$336,340
Certificates of deposit	617,488	116,604
Other time deposits (savings and NOW accounts)	107,018	106,956
Total deposits	1,079,701	559,900
STAR Ohio	293,438	793,036
Total investments	293,438	793,036
Total deposits and investments	\$1,373,139	\$1,352,936

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 and mutual funds 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, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,490,310	\$1,298,917	(\$191,393)
Special Revenue	742,370	715,026	(27,344)
Capital Projects	358,360	399,890	41,530
Enterprise	1,173,700	1,250,694	76,994
Permanent	500	313	(187)
Total	\$3,765,240	\$3,664,840	(\$100,400)

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,601,150	\$1,421,379	\$179,771
Special Revenue	799,127	652,144	146,983
Capital Projects	145,000	387,728	(242,728)
Enterprise	1,356,700	1,188,305	168,395
Permanent	0	0	0
Total	\$3,901,977	\$3,649,556	\$252,421

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,309,798	\$1,329,870	\$20,072
Special Revenue	805,800	821,073	15,273
Capital Projects	551,673	437,134	(114,539)
Enterprise	1,131,700	1,160,362	28,662
Permanent	400	384	(16)
Total	\$3,799,371	\$3,748,823	(\$50,548)

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity – (continued)

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,635,300	\$1,491,604	\$143,696
Special Revenue	831,027	956,042	(125,015)
Capital Projects	87,000	502,753	(415,753)
Enterprise	1,330,200	1,104,321	225,879
Permanent	0	0	0
Total	\$3,883,527	\$4,054,720	(\$171,193)

The Village had expenditures exceed appropriations in several funds contrary to Section 5705.41(B) for the years 2010 and 2011.

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. s 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, 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.

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$150,000	3.875%
OPWC Loans	\$47,800	0%
Ohio Water Development Authority Loans	1,980,808	2.75 to 7.96%
Total	\$2,178,608	

The Ohio Water Development Authority (OWDA) loan relates to improvements in water and sewer plants and lines. The Ohio Public Works Commission loans were for upgrades to the Village's waterlines. The General Obligation Bonds were for street improvements to several streets in the Village. The Village's taxing authority collateralized the bonds.

The ending balances for the Water System Improvement OWDA loan and the Eagle Street loan were incorrectly recorded in the previous audit.

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

	OPWC Loans	OWDA Loans	General Obligation Bonds
Year ending December 31:			
2012	\$ 6,300	\$ 261,125	\$ 41,073
2013	6,300	242,366	41,202
2014	6,300	242,366	41,202
2015	6,300	242,366	41,202
2016	6,300	224,738	-
2017-2021	16,300	717,104	-
2022-2026	-	548,704	-
Total	\$ 47,800	\$ 2,478,769	\$ 164,679

7. Retirement Systems

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other 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.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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.

9. Contingent Liabilities

The Village may be a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

10. Change in Accounting Principle

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the governmental funds as previously reported.

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

11. Jointly Governed Organizations

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 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 2010 and 2011. Financial information can be obtained by contacting NOPEC, 31320 Solon Road Suite 20, Solon, Ohio 44139.

12. Restatement of Prior Years' Fund Balance

In 2010, the Village identified a misposting of a 2009 Sewer Capital Fund receipt into the Water Capital Fund resulting in a prior period adjustment. The Village also had checks written in 2009 and earlier that were voided in 2010 and the check amounts were added back to the beginning balance. The restatements are listed below:

		Special Revenue
Fund Balance as of December 31, 2009	\$	227,952
Less: Posting Correction		(21,005)
Add: Stale Checks voided 2010		870
Restated Amounts January 1, 2010	\$	207,817
		Enterprise Funds
Fund Balance as December 31, 2009	\$	468,849
Add: FY 09 checks voided in FY 10		21,005
Restated Amounts January 1, 2010	\$	489,854

**VILLAGE OF MADISON
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

12. Restatement of Prior Years' Fund Balance – (continued)

In the prior audit, the Village had been directed to record Mayor's Court activity on its books as an Agency fund. The Village recorded the incorrect of the Mayor's Court. As a result, the December 31, 2009 ending balance of the Mayor's Court balance was overstated. The restatement is listed below:

	Agency Funds	
Fund Balance as of December 31, 2009	\$	28,112
Less: Posting Correction		<u>(21,144)</u>
Restated Amounts January 1, 2010	\$	6,968

13. Transfers

In 2011, the General Fund transferred money to the Street Construction, Maintenance and Repair - Special Revenue Fund for the purpose of meeting current expenses.

In 2010, the General Fund transferred money to the Street Construction, Maintenance and Repair Fund - Special Revenue fund for the purpose of meeting current expenses. Also, money was transferred from the Water Tower Fund - Special Revenue Fund to the General Fund as part of closing the Water Tower Fund. Finally, money was transferred from Canine Fund – Special Revenue Fund to the General Fund as part of closing the Canine Fund. All transfers were made in accordance with Ohio Revised Code requirements.

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

**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 Village of Madison, Lake County, Ohio (Village) as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated June 11, 2012, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio and also implemented Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 opinions 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.

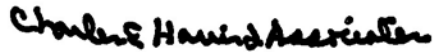
Compliance and Other Matters

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011 – Madison -01.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We noted certain other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 11, 2012.

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



Charles E. Harris & Associates, Inc.
June 11, 2012

**VILLAGE OF MADISON
LAKE COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2011 AND 2010**

FINDING NUMBER 2011-Madison-01: – Noncompliance

Section 5705.41 (B), Revised Code, prohibits the Village from making an expenditure unless it has been properly appropriated. The following funds were found to have disbursements and encumbrances in excess of appropriations at December 31, 2011 and 2010:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Disbursements</u>	<u>Variance</u>
<u>2011</u>			
<u>Special Revenue Fund</u>			
Mayor's Court Computer Fund	2,000	2,203	(203)
<u>Capital Projects Fund</u>			
Other Capital Projects Fund	-	373,301	(373,301)
<u>2010</u>			
<u>Special Revenue Funds</u>			
Law Enforcement Trust Fund	6,000	8,725	(2,725)
SCM &R	404,700	407,240	(2,540)
Street Lighting	191,000	330,936	(139,936)
<u>Capital Projects Fund</u>			
Other Capital Projects Fund	-	466,759	(466,759)
<u>Enterprise Fund</u>			
Garbage Fund	7,500	10,236	(2,736)

Management Response:

The Mayor's Court Computer Fund, Law Enforcement Trust, SCM&R and Garbage Fund cites were the result of items costing more than anticipated and appropriations not being adjusted. The Other Capital Projects citations were the result of the appropriations being contained in the Council-approved budget but not being included in the appropriation ordinances.

The items listed above will require some action in respect to the necessary controls to prevent any repeat in the future. The controls will be implemented.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending December 31, 2008 and 2009, reported no material citations or recommendations.

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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
NOVEMBER 13, 2012**