

**VILLAGE OF MADISON
LAKE COUNTY, OHIO**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Madison, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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

July 21, 2014

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VILLAGE OF MADISON
LAKE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Madison, Lake County, (the Village) as of and for the years ended December 31, 2013 and 2012.

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 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 1 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or 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 combined cash balances of the Village of Madison, Lake County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014, 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.

June 23, 2014

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, 2013**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts						
Property and Other Local Taxes	\$ 95,067	\$ 16,585	-	-	-	\$ 111,652
Municipal Income Tax	856,397	-	-	-	-	856,397
Intergovernmental	101,059	274,417	-	\$ 434,388	-	809,864
Special Assessments	-	143,593	-	-	-	143,593
Charges for Services	16,547	18,572	-	6,780	-	41,899
Fines, Licenses and Permits	85,971	4,661	-	-	-	90,632
Earnings on Investments	2,316	429	-	-	\$ 208	2,953
Miscellaneous	47,503	53,499	-	-	-	101,002
<i>Total Cash Receipts</i>	<u>1,204,860</u>	<u>511,756</u>	<u>-</u>	<u>441,168</u>	<u>208</u>	<u>2,157,992</u>
Cash Disbursements						
Current:						
Security of Persons and Property	538,172	20,641	-	-	-	558,813
Public Health Services	-	23,639	-	-	-	23,639
Leisure Time Activities	22,425	166,457	-	-	-	188,882
Basic Utility Services	-	92,024	-	-	-	92,024
Transportation	-	321,762	-	-	-	321,762
General Government	348,178	8,405	-	-	-	356,583
Capital Outlay	34,891	-	-	469,805	-	504,696
Debt Service:						
Principal Retirement	-	-	\$ 36,761	-	-	36,761
Interest and Fiscal Charges	-	-	4,441	-	-	4,441
<i>Total Cash Disbursements</i>	<u>943,666</u>	<u>632,928</u>	<u>41,202</u>	<u>469,805</u>	<u>-</u>	<u>2,087,601</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	261,194	(121,172)	(41,202)	(28,637)	208	70,391
Other Financing Receipts (Disbursements)						
Other Financing Sources	-	-	-	38,762	-	38,762
Transfers In	-	159,500	42,000	-	-	201,500
Transfers Out	(201,500)	-	-	-	-	(201,500)
Advances In	35,000	-	-	-	-	35,000
Advances Out	-	(35,000)	-	-	-	(35,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(166,500)</u>	<u>124,500</u>	<u>42,000</u>	<u>38,762</u>	<u>-</u>	<u>38,762</u>
<i>Net Change in Fund Cash Balances</i>	94,694	3,328	798	10,125	208	109,153
<i>Fund Cash Balances, January 1</i>	<u>291,730</u>	<u>304,300</u>	<u>-</u>	<u>244,332</u>	<u>74,611</u>	<u>914,973</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	72,363	72,363
Restricted	-	307,628	-	254,457	2,456	564,541
Assigned	-	-	798	-	-	798
Unassigned	386,424	-	-	-	-	386,424
<i>Fund Cash Balances, December 31</i>	<u>\$ 386,424</u>	<u>\$ 307,628</u>	<u>\$ 798</u>	<u>\$ 254,457</u>	<u>\$ 74,819</u>	<u>\$ 1,024,126</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, 2013**

	<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	\$ 1,340,632	\$ 2,009	\$ 1,342,641
Fines, Licenses and Permits	-	67,541	67,541
Earnings on Investment	-	3	3
Miscellaneous	21,155	1,000	22,155
<i>Total Operating Cash Receipts</i>	<u>1,361,787</u>	<u>70,553</u>	<u>1,432,340</u>
Operating Cash Disbursements			
Personal Services	209,177	-	209,177
Employee Fringe Benefits	88,896	-	88,896
Contractual Services	634,027	-	634,027
Supplies and Materials	45,900	2,067	47,967
Distribution of Fines	-	67,487	67,487
Other	4,367	36,427	40,794
<i>Total Operating Cash Disbursements</i>	<u>982,367</u>	<u>105,981</u>	<u>1,088,348</u>
<i>Operating Income (Loss)</i>	379,420	(35,428)	343,992
Non-Operating Receipts (Disbursements)			
Special Assessments	36,423	-	36,423
Miscellaneous Receipts	-	7,314	7,314
Capital Outlay	(137,701)	-	(137,701)
Principal Retirement	(172,177)	-	(172,177)
Interest and Other Fiscal Charges	(76,490)	-	(76,490)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(349,945)</u>	<u>7,314</u>	<u>(342,631)</u>
<i>Income (Loss)</i>	29,475	(28,114)	1,361
<i>Fund Cash Balances, January 1</i>	<u>954,361</u>	<u>54,459</u>	<u>1,008,820</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 983,836</u>	<u>\$ 26,345</u>	<u>\$ 1,010,181</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts						
Property and Other Local Taxes	\$ 102,373	\$ 17,866	-	-	-	\$ 120,239
Municipal Income Tax	881,088	-	-	-	-	881,088
Intergovernmental	121,516	250,626	-	\$ 120,820	-	492,962
Special Assessments	-	140,540	-	-	-	140,540
Charges for Services	17,368	16,404	-	7,420	-	41,192
Fines, Licenses and Permits	99,053	4,936	-	-	-	103,989
Earnings on Investments	1,736	400	-	69	\$ 117	2,322
Miscellaneous	15,307	44,306	-	25	-	59,638
<i>Total Cash Receipts</i>	<u>1,238,441</u>	<u>475,078</u>	<u>-</u>	<u>128,334</u>	<u>117</u>	<u>1,841,970</u>
Cash Disbursements						
Current:						
Security of Persons and Property	617,537	25,255	-	-	-	642,792
Public Health Services	-	29,550	-	-	-	29,550
Leisure Time Activities	15,674	155,552	-	-	-	171,226
Basic Utility Services	-	91,105	-	-	-	91,105
Transportation	-	256,910	-	-	-	256,910
General Government	382,056	6,136	-	-	-	388,192
Capital Outlay	42,710	-	-	6,636	-	49,346
Debt Service:						
Principal Retirement	-	-	\$ 35,390	-	-	35,390
Interest and Fiscal Charges	-	-	5,682	-	-	5,682
<i>Total Cash Disbursements</i>	<u>1,057,977</u>	<u>564,508</u>	<u>41,072</u>	<u>6,636</u>	<u>-</u>	<u>1,670,193</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>180,464</u>	<u>(89,430)</u>	<u>(41,072)</u>	<u>121,698</u>	<u>117</u>	<u>171,777</u>
Other Financing Receipts (Disbursements)						
Transfers In	-	188,000	41,072	35,718	-	264,790
Transfers Out	(264,790)	-	-	-	-	(264,790)
Advances In	170,000	-	-	-	-	170,000
Advances Out	-	(30,000)	-	(140,000)	-	(170,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(94,790)</u>	<u>158,000</u>	<u>41,072</u>	<u>(104,282)</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>85,674</u>	<u>68,570</u>	<u>-</u>	<u>17,416</u>	<u>117</u>	<u>171,777</u>
<i>Fund Cash Balances, January 1</i>	<u>206,056</u>	<u>235,730</u>	<u>-</u>	<u>226,916</u>	<u>74,494</u>	<u>743,196</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	72,363	72,363
Restricted	-	304,300	-	244,332	2,248	550,880
Unassigned	291,730	-	-	-	-	291,730
<i>Fund Cash Balances, December 31</i>	<u>\$ 291,730</u>	<u>\$ 304,300</u>	<u>\$ -</u>	<u>\$ 244,332</u>	<u>\$ 74,611</u>	<u>\$ 914,973</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, 2012**

	<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	\$ 1,609,505	\$ 4,531	\$ 1,614,036
Fines, Licenses and Permits	-	79,595	79,595
Earnings on Investment	-	6	6
Miscellaneous	439	76,500	76,939
<i>Total Operating Cash Receipts</i>	<u>1,609,944</u>	<u>160,632</u>	<u>1,770,576</u>
Operating Cash Disbursements			
Personal Services	193,428	-	193,428
Employee Fringe Benefits	82,293	-	82,293
Contractual Services	578,672	-	578,672
Supplies and Materials	63,366	4,712	68,078
Distribution of Fines	-	83,549	83,549
Other	2,570	46,230	48,800
<i>Total Operating Cash Disbursements</i>	<u>920,329</u>	<u>134,491</u>	<u>1,054,820</u>
<i>Operating Income (Loss)</i>	689,615	26,141	715,756
Non-Operating Receipts (Disbursements)			
Special Assessments	39,985	-	39,985
Miscellaneous Receipts	-	6,658	6,658
Capital Outlay	(116,263)	-	(116,263)
Principal Retirement	(185,321)	-	(185,321)
Interest and Other Fiscal Charges	(81,939)	-	(81,939)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(343,538)</u>	<u>6,658</u>	<u>(336,880)</u>
<i>Income (Loss)</i>	346,077	32,799	378,876
<i>Fund Cash Balances, January 1</i>	<u>608,284</u>	<u>21,660</u>	<u>629,944</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 954,361</u>	<u>\$ 54,459</u>	<u>\$ 1,008,820</u>

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

VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE 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:

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. See note 10.

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

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are recorded as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. 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 recording 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:

VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

Governmental Fund Types:

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has 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.

Debt Service Fund: 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.

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.

VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

Proprietary Fund Types:

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

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

Sewer Capital Fund - This fund receives proceeds from sewer charges 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.

Fiduciary Fund Types:

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.

E. BUDGETARY PROCESS

1. 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried-forward and need not be re-appropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

H. 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:

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 (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FUND BALANCE (continued)

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.

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.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2013	2012
Demand deposits	<u>\$1,119,714</u>	<u>\$1,011,707</u>
Total deposits	1,119,714	1,011,707
Certificates of Deposit	620,816	618,424
STAR Ohio	293,777	293,662
Total investments	<u>914,593</u>	<u>912,086</u>
Total deposits and investments	<u>\$2,034,307</u>	<u>\$1,923,793</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. 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.

VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

4. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,212,650	\$1,204,860	(\$7,790)
Special Revenue	646,700	671,256	24,556
Debt Service	41,927	42,000	73
Capital Projects	506,500	479,930	(26,570)
Permanent	125	208	83
Enterprise	1,306,200	1,398,210	92,010
Total	\$3,714,102	\$3,796,464	\$82,362

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,336,988	\$1,145,166	\$191,822
Special Revenue	695,757	632,928	62,829
Debt Service	41,300	41,202	98
Capital Projects	921,500	469,805	451,695
Permanent	2,000	-	2,000
Enterprise	1,857,395	1,368,735	488,660
Total	\$4,854,940	\$3,657,836	\$1,197,104

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,251,646	\$1,238,441	(\$13,205)
Special Revenue	631,702	663,078	31,376
Debt Service	41,073	41,072	(1)
Capital Projects	149,500	164,052	14,552
Permanent	350	117	(233)
Enterprise	1,525,700	1,649,929	124,229
Total	\$3,599,971	\$3,756,689	\$156,718

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,447,440	\$1,322,767	\$124,673
Special Revenue	691,977	564,508	127,469
Debt Service	41,072	41,072	-
Capital Projects	232,100	6,636	225,464
Permanent	2,000	-	2,000
Enterprise	1,472,700	1,303,852	168,848
Total	\$3,887,289	\$3,238,835	\$648,454

VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
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5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$73,408	3.875%
OPWC Loans	35,200	0%
Ohio Water Development Authority Loans	1,636,211	2.84 to 4.56%
Total	<u>\$1,744,819</u>	

Debt from the prior year was overstated by \$4,140.

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.

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

Year ending December 31:	<u>OPWC Loans</u>	<u>OWDA Loans</u>	<u>General Obligation Bonds</u>
2014	\$ 6,300	\$ 242,367	\$ 41,202
2015	6,300	242,367	41,202
2016	6,300	224,739	-
2017	6,300	224,739	-
2018	2,500	136,828	-
2019-2023	7,500	631,014	-
2024-2028	-	346,732	-
Total	<u>\$ 35,200</u>	<u>\$ 2,048,786</u>	<u>\$ 82,404</u>

VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

7. RETIREMENT SYSTEM

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) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2013 and 2012, members of OP&F participants contributed 10% of their wages, and increased to 10.75% after July 1, 2013. The Village contributed an amount equal to 24% of their wages to OP&F. OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2013 and 2012. The Village has paid all contributions required through December 31, 2013.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Equipment;
- 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/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. 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 2012 and 2013. Financial information can be obtained by contacting NOPEC, 31320 Solon Road Suite 20, Solon, Ohio 44139.

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

11. TRANSFERS

In 2013 and 2012, the General Fund transferred money to the Street Construction Maintenance and Repair Fund, Cemetery Fund, and Senior Center Fund – Special Revenue Funds and to the General Obligation Bond Retirement Fund – Debt Service Fund for the purpose of meeting current expenses. In 2012, the General Fund also transferred money to the Senior Center Capital Fund and Other Capital Fund – Capital Project Funds for upgrades.

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**INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Madison, Lake County (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 23, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. *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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *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 and Associates, Inc.
June 23, 2014

**VILLAGE OF MADISON
LAKE COUNTY, OHIO
For the Years Ending December 31, 2013 and 2012**

STATUS OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-Madison-01	Section 5705.41 (B), Revised Code, prohibits the Village from making an expenditure unless it has been properly appropriated.	Yes	Finding no longer valid.



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
JULY 31, 2014