

VILLAGE OF NEW MADISON

DAYTON REGION, DARKE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

Village Council
Village of New Madison
124 South Harrison Street
New Madison, Ohio 45346

We have reviewed the *Independent Accountants' Report* of the Village of New Madison, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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 New Madison is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 29, 2008

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**VILLAGE OF NEW MADISON
DARKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1 – 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2006	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2006	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Funds - For the Year Ended December 31, 2005	6
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2005	7
Notes to the Financial Statements	8 – 13
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15 – 16
Schedule of Findings	17 – 22
Schedule of Prior Audit Findings	23

**MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Madison
124 South Harrison Street
New Madison, Ohio 45346

To the Village Council:

We have audited the accompanying financial statements of the Village of New Madison, Darke County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. 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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of New Madison, Darke County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

December 10, 2007

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**VILLAGE OF NEW MADISON
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>				<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Services</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$ 103,785	\$ 70,434	\$ 35,895	\$ 0	\$ 210,114
Intergovernmental Revenues	23,129	44,931	1,427	112,977	182,464
Special Assessments	0	180	0	0	180
Charges for Services	48,983	0	0	0	48,983
Fines, Licenses and Permits	400	224	0	0	624
Earnings on Investments	3,350	823	0	307	4,480
Miscellaneous	19,127	61	0	0	19,188
Total Cash Receipts	<u>198,774</u>	<u>116,653</u>	<u>37,322</u>	<u>113,284</u>	<u>466,033</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	\$ 79,276	\$ 50,312	\$ 0	\$ 0	\$ 129,588
Public Health Services	17	0	0	0	17
Leisure Time Activities	3,140	0	0	0	3,140
Community Environment	44,387	0	0	0	44,387
Basic Utility Services	66,601	0	0	0	66,601
Transportation	6,158	58,012	0	0	64,170
General Government	28,161	0	0	0	28,161
Debt Service					
Principal Payment	9,460	0	21,900	0	31,360
Interest and Fiscal Charges	1,520	0	113,089	0	114,609
Total Cash Disbursements	<u>238,720</u>	<u>108,324</u>	<u>134,989</u>	<u>0</u>	<u>482,033</u>
Total Receipts Over/(Under) Disbursements	<u>(39,946)</u>	<u>8,329</u>	<u>(97,667)</u>	<u>113,284</u>	<u>(16,000)</u>
Other Financing Sources/(Uses):					
Transfers - In	0	0	168,483	0	168,483
Transfers - Out	0	0	0	(168,483)	(168,483)
Advances - In	0	8,863	0	0	8,863
Advances - Out	(8,863)	0	0	0	(8,863)
Other Financing Sources	0	574	0	0	574
Total Other Financing Receipts (Disbursements)	<u>(8,863)</u>	<u>9,437</u>	<u>168,483</u>	<u>(168,483)</u>	<u>574</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(48,809)	17,766	70,816	(55,199)	(15,426)
Fund Cash Balances, January 1,	<u>87,821</u>	<u>99,101</u>	<u>69,035</u>	<u>85,724</u>	<u>341,681</u>
Fund Cash Balances, December 31,	<u>\$ 39,012</u>	<u>\$ 116,867</u>	<u>\$ 139,851</u>	<u>\$ 30,525</u>	<u>\$ 326,255</u>
Reserve for Encumbrances, December 31	<u>1,621</u>	<u>1,176</u>	<u>0</u>	<u>0</u>	<u>2,797</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND SIMILAR FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 411,576
Total Operating Cash Receipts	411,576
Operating Cash Disbursements:	
Personal Service	\$ 70,887
Supplies and Materials	167,625
Total Operating Cash Disbursements	238,512
Operating Income/ (Loss)	173,064
Non-Operating Cash Receipts/(Disbursements):	
Intergovernmental	1,872
Redemption of Principal	(25,000)
Other Financing Sources	2,869
Total Non-Operating Cash Receipts/(Disbursements)	(20,259)
Net Revenues Over/(Under) Expenses	152,805
Fund Cash Balances, January 1,	202,992
Fund Cash Balances, December 31,	\$ 355,797

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$ 99,078	\$ 67,339	\$ 32,645	\$ 0	\$ 199,062
Intergovernmental Revenues	26,611	51,244	4,095	0	81,950
Special Assessments	0	757	0	0	757
Charges for Services	52,009	0	0	0	52,009
Fines, Licenses and Permits	747	0	0	0	747
Earnings on Investments	3,061	78	0	556	3,695
Miscellaneous	10,638	0	0	0	10,638
Total Cash Receipts	<u>192,144</u>	<u>119,418</u>	<u>36,740</u>	<u>556</u>	<u>348,858</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	\$ 82,231	\$ 45,428	\$ 0	\$ 0	\$ 127,659
Public Health Service	1,693	0	0	0	1,693
Leisure Time Activities	4,000	0	0	0	4,000
Community Environment	38,210	0	0	0	38,210
Basic Utility Services	56,486	0	0	0	56,486
Transportation	9,977	71,083	0	0	81,060
General Government	39,392	0	246	0	39,638
Capital Outlay	0	0	0	10,000	10,000
Debt Service:					
Principal Payment	0	0	3,900	17,100	21,000
Interest	0	0	21,460	91,898	113,358
Total Cash Disbursements	<u>231,989</u>	<u>116,511</u>	<u>25,606</u>	<u>118,998</u>	<u>493,104</u>
Total Receipts Over/(Under) Disbursements	<u>(39,845)</u>	<u>2,907</u>	<u>11,134</u>	<u>(118,442)</u>	<u>(144,246)</u>
Other Financing Receipts/ (Disbursements)					
Transfers-In	0	17,000	0	0	17,000
Transfers-Out	(18,500)	0	0	0	(18,500)
Other Financing Sources	2,604	385	0	0	2,989
Total Other Financing Receipts/ (Disbursements)	<u>(15,896)</u>	<u>17,385</u>	<u>0</u>	<u>0</u>	<u>1,489</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(55,741)	20,292	11,134	(118,442)	(142,757)
Fund Cash Balances, January 1,	<u>143,562</u>	<u>78,809</u>	<u>57,901</u>	<u>204,166</u>	<u>484,438</u>
Fund Cash Balances, December 31,	<u>\$ 87,821</u>	<u>\$ 99,101</u>	<u>\$ 69,035</u>	<u>\$ 85,724</u>	<u>\$ 341,681</u>
Reserve For Encumbrances, December 31	<u>10,600</u>	<u>16,971</u>	<u>0</u>	<u>0</u>	<u>27,571</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND SIMILAR FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 429,618
Total Operating Cash Receipts	429,618
Operating Cash Disbursements:	
Personal Service	\$ 82,303
Supplies and Materials	141,937
Total Operating Cash Disbursements	224,240
Operating Income/ (Loss)	205,378
Non-Operating Cash Receipts/(Disbursements):	
Miscellaneous Receipts	158
Sale of Notes	50,000
Capital Outlay	(50,000)
Redemption of Principal	(29,603)
Interest and Other Fiscal Charges	(887)
Other Financing Sources	4,621
Total Non-Operating Cash Receipts/(Disbursements)	(25,711)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	179,667
Transfers-In	1,500
Net Revenues Over/(Under) Expenses	181,167
Fund Cash Balances, January 1,	21,825
Fund Cash Balances, December 31,	\$ 202,992

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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 New Madison, Darke County, (the Village) as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with New Madison Fire Department Association for fire protection services and with Tri-Village Ambulance District for emergency services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribes or permits 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).

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

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit at cost.

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 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.

Road Construction Levy Fund – This fund receives proceeds from a Village property tax levied for improving Village streets and alleys.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Fire Levy Fund – This fund receives levy monies and provides fire protection services to Village residents.

Police Levy Fund – This fund receives levy monies to provide for the operation of the Village police department.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

Bond Retirement Fund – This fund is used to retire the principal and interest of Village loan and note debt issues.

4. 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:

Wastewater Bond Construction Fund – This was established to account for the construction of the Village sewer system and plant.

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

Sewer Operating Fund – This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level for the General Fund and at the fund level for all other funds, and appropriations may not exceed estimated resources. 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.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash balance 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 over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$659,222	\$522,582
Certificates of deposit	22,831	22,091
Total deposits	<u>\$682,052</u>	<u>\$544,673</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF NEW MADISON
DARKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 177,592	\$ 198,774	\$ 21,182
Special Revenue	119,111	117,227	(1,884)
Debt Service	197,030	205,805	8,775
Capital Projects	112,977	113,284	307
Enterprise Funds	186,700	416,317	229,617
Total	<u>\$ 793,410</u>	<u>\$ 1,051,407</u>	<u>\$ 257,997</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 302,900	\$ 240,341	\$ 62,559
Special Revenue	197,041	109,500	87,541
Debt Service	284,500	134,989	149,511
Capital Projects	197,977	168,483	29,494
Enterprise Funds	387,306	263,512	123,794
Total	<u>\$ 1,369,724</u>	<u>\$ 916,825</u>	<u>\$ 452,899</u>

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 185,767	\$ 194,748	\$ 8,981
Special Revenue	95,201	136,803	41,602
Debt Service	186,270	36,740	(149,530)
Capital Projects	0	556	556
Enterprise Funds	186,700	485,897	299,197
Total	<u>\$ 653,938</u>	<u>\$ 854,744</u>	<u>\$ 200,806</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 268,750	\$ 261,089	\$ 7,661
Special Revenue	144,414	133,482	10,932
Debt Service	112,977	25,606	87,371
Capital Projects	121,000	118,998	2,002
Enterprise Funds	365,000	304,730	60,270
Total	<u>\$ 1,012,141</u>	<u>\$ 843,905</u>	<u>\$ 168,236</u>

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Fire Levy fund in 2006 by \$6,236.

Contrary to Ohio law, appropriations exceeded resources available in the General, Fire Levy, Police Levy, Debt Service, and Storm Sewer funds in 2006 by \$48,087, \$8,773, \$7,861, \$18,435, and \$1,500. In 2005, Fire Levy, Police Levy, Street Construction and Maintenance, and Sewer Operating funds by \$871, \$4,432, \$3,646, \$145,247.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Unlimited Tax General Obligation Bonds	\$ 437,000	4.750%
Sewer System Mortgage Revenue Refunding Bonds	1,571,200	4.750%
Sewer System Mortgage Revenue Refunding Bonds	333,900	4.750%
Wastewater Treatment improvement OPWC Loan	412,500	0.000%
Greenville Federal	35,937	3.630%
Total	<u>\$2,790,537</u>	

The principal amount of the Village's mortgage revenue refunding bonds outstanding at December 31, 2006, of \$1,905,100 is being retired with the charges for services collected through the Village's residents. The principal amount of the Village's unlimited tax general obligation bonds outstanding at December 31, of \$437,000 is being retired with property tax money levied against the village property owners.

The Wastewater Treatment Improvement OPWC loan was provided by the State to assist in the cost of the Village's \$5,700,000 sewer system construction project and will be retired with semi annual payments of \$12,500 ending July 1, 2023.

The Greenville Federal loan was used for improvements on the sewer project. Initial loan was \$50,000 paid in quarterly installments of \$2,745 including interest at 3.36%. Final payment due April 18, 2010. The loan is being retired with charges for collections through the Village's residents.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

5. DEBT (Continued)

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

Year Ending December 31:	Mortgage Revenue Refunding Bonds	Mortgage Revenue Refunding Bonds	OWDA Loan	General Obligation Bonds	Greenville Federal Loan
2007	\$19,160	\$90,132	\$25,000	\$25,058	\$10,980
2008	19,147	90,198	25,000	25,110	10,980
2009	19,142	90,131	25,000	25,040	10,980
2010	19,171	90,024	25,000	25,116	5,465
2011	19,191	90,083	25,000	24,979	0
2012-2016	95,731	450,764	125,000	125,384	0
2017-2021	95,748	450,590	125,000	125,346	0
2022-2026	95,745	450,504	37,500	125,230	0
2027-2031	95,788	450,497	0	125,359	0
2032-2036	95,680	450,566	0	125,273	0
2037-2041	95,715	450,479	0	125,358	0
2042-2044	57,457	270,185	0	75,110	0
Total	<u>\$727,675</u>	<u>\$3,424,153</u>	<u>\$412,500</u>	<u>\$952,363</u>	<u>\$38,405</u>

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement health care, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contribute 9% and 8.5% of their gross salaries for 2006 and 2005, respectively. The Village contributes an amount equal to 13.7% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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MANNING & ASSOCIATES, CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of New Madison
124 S. Harrison Street
New Madison, Ohio 45346

To the Village Council:

We have audited the financial statements of the Village of New Madison, Darke County (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 10, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-consequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-005 through 2006-008.

Internal Control Over Financial Reporting (continued)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-005 through 2006-2007 are also material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated December 10, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-001 through 2006-004 and 2006-009.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated December 10, 2007.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

December 10, 2007

**VILLAGE OF NEW MADISON
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2006-001

Noncompliance Citation – Ohio Revised Code:

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the Village.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not to exceed beyond the current year (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months). The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

**VILLAGE OF NEW MADISON
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

<p>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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FINDING 2006-001, (Continued)

The Village did not properly certify the availability of funds prior to purchase commitments for 9% of expenditures tested for 2006 and 2005 of non payroll items. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) required to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Also, the Village has not established a policy setting the maximum amount that may be encumbered on a blanket purchase order that does not follow the Ohio Revised Code requirements. The Village should create a policy that establishes the maximum amount that may be encumbered on a blanket certificate to comply with this section of code.

Response: New Fiscal Officer in place and will make every effort to be in compliance in the future.

FINDING 2006-002

Noncompliance Citation – Ohio Revised Code:

Ohio Rev. Code Section 5705.41 (B), prohibits expenditures unless the funds have been properly appropriated. This prohibits expenditures from exceeding appropriations. Contrary to this requirement, expenditures exceeded appropriations at the fund level (the legal level of control) as of December 31, 2006, as follows:

Fund	Appropriations	Expenditures	Variance
2901 – Fire Levy Fund	\$26,000	\$32,236	(\$6,236)

The Village should monitor the budgetary financial reports throughout the year to prevent budgetary expenditures from exceeding appropriations at the legal level of control. In instances where it appears appropriations are insufficient to meet projected needs, the Village should pass a resolution to amend appropriations. This analysis should also encompass a review of available resources.

Response: New Fiscal Officer in place and will make every effort to be in compliance in the future.

**VILLAGE OF NEW MADISON
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING 2006-003

Noncompliance Citation – Ohio Revised Code:

Ohio Rev Code 5705.39 states that total appropriations from each fund should not exceed the total estimated resources. Contrary to this requirement, appropriations exceeded estimated resources in the following funds:

Fund	Estimated Resources	Appropriations	Variance
2006:			
1000-General Fund	\$254,813	\$302,900	(\$48,087)
2901-Fire Levy Fund	\$17,227	\$26,000	(\$8,773)
2902-Police Levy Fund	\$30,139	\$38,000	(\$7,861)
3901-Debt Service Fund	\$266,065	\$284,500	(\$18,435)
5601-Storm Sewer Fund	\$13,975	\$15,475	(\$1,500)
2005:			
2901-Fire Levy Fund	\$29,129	\$30,000	(\$871)
2902-Police Levy Fund	\$27,568	\$32,000	(\$4,432)
2011-SCM & R Fund	\$43,354	\$47,000	(\$3,646)
5201-Sewer Operating Fund	\$94,753	\$240,000	(\$145,247)

Appropriating more than is estimated to be received may lead to a deficit spending situation.

Response: Budgetary will be monitored more closely in the future.

FINDING 2006-004

Ohio Revised Code, Section 9.38, provides that any public officer or employee who collects or receives payments due to the public shall deposit all public money received by him/her with the Fiscal Officer of the taxing district once every twenty four hours. If the amount of daily deposit does not exceed \$1,000 and the receipts can be safeguarded, public office may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made not later than three business days after receiving it.

The Village received checks during December 2004, January and February 2005 that were not deposited until March 7, 2005. Failure to deposit all receipts in a timely manner could result in misappropriation of funds.

Response: Council will review the current policies and make any needed changes. It is felt this is an isolated incident.

**VILLAGE OF NEW MADISON
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING 2006-005

Monthly Bank-to-Book Reconciliations

Deficiencies were noted in the Village's completion of monthly bank-to-book reconciliations. Monthly bank-to-book reconciliations should be prepared, and all accounts belonging to the Village should be included on the monthly reconciliation. The following deficiencies were noted in monthly bank-to-book reconciliations which resulted in inaccurate fund balances and incorrect amounts in the appropriations and receipts ledgers:

- The Village's cash fund balances did not agree to the monthly bank-to-book reconciliations for the entire period under audit;
- There was no indication that the Council reviewed bank-to-book reconciliations.
- Risks associated with these conditions include the possibility of loss of revenue; missing or duplicate posting of cash receipts and disbursements; and reconciliation errors that could go undetected. To strengthen internal accounting controls, reduce errors in recording transactions, and to provide management with reasonable assurance that cash reconciliation procedures are in place, the following control should be implemented:
- The monthly bank-to-book reconciliations should be reviewed by the Council, along with a list of outstanding checks, and the reconciled bank balance should be compared to the cashbook balance to ensure the amounts correspond. The balance of the cashbook should be reviewed to ensure that all active and invested money under the control of the Council is included. The Council should date and initial the monthly reconciliation as documentation of their review.

Response: Council will implement policies on reviewing reconciliations. Fiscal Officer has corrected the balance.

FINDING 2006-006

Ohio Adm. Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, to maintain accountability for the related assets (and liabilities, if general accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village did not have control procedures in place to ensure the accuracy of revenue and expenditure line account postings. The following errors in postings were noted:

Improper Posting of Revenues

During the audit period the Village erroneously posted property and other local taxes, intergovernmental and miscellaneous receipts as other financing sources in the amount of \$57,948 in 2005 and \$19,127 in 2006, in the General Fund. In addition, receipts for property and other local taxes for Road Construction, Fire Levy, Police Levy, and Debt Service funds were posted to the General Fund other financing sources, during 2005. The Village did not properly record revenues and expenditures from the County Auditor. County receipts were recorded at net amount, this failure to accurately record revenues and expenditures could result in material misstatement to the financial statements.

**VILLAGE OF NEW MADISON
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING 2006-006, (continued)

Improper Posting of Revenues (continued)

During the audit period, charges for services in the Enterprise fund was recorded as special assessments in the amount of \$287,534 for 2006 and \$304,318 for 2005. This required reclassification of receipts to properly present the activity of the Village. Receipts should be posted in accordance with the Uniform Accounting Network chart of accounts established by the Auditor of State.

Failure to post receipts to the correct accounts resulted in a material misstatement on the financial statements. Procedures should be implemented to determine that all activity is posted to the appropriate fund and account (receipt code).

Improper Posting Expenditure and Debt Transactions

Repayment of debt and expenditures for capital outlay were included in supplies and materials in the Enterprise funds. These items should be classified as capital outlay and or redemption of principal and interest charges.

Debt activity for the Village was not included in the annual report or on the schedule of indebtedness. Omissions on the annual financial report fail d to present an accurate accounting of the Village and can mislead the users of the report.

The Village should include all debt activities of the Village on the annual report to accurately reflect the activities of the Village.

Budgetary Reporting

The Village did not enter budgetary (estimated revenues) information on the UAN system. Lack of budgetary information makes it very difficult to monitor how the Village is doing and if any additional budgetary amendments need to be requested. This demonstrates lack of budgetary control throughout the audit period.

Response: New Fiscal Officer in place.

FINDING 2006-007

Overriding Computer Controls

It was noted that during January thru July/August 2005 testing of receipts and disbursements that transaction were posted to the system or dated on the first day of every month. In many cases the supporting documentation was dated after the date of the transactions, making it impossible for the transactions posting dates to be correct. The UAN Audit Workbench (UAN) dates all transactions the date they are entered into the system, indicating that the village fiscal officer manipulated the UAN system by resetting the date.

To prevent inaccurate financial reporting and provide for accurate monthly bank reconciliations, the Village should implement procedures to require the posting of all receipts and disbursements on the actual date the procedures was performed.

Response: The Fiscal Officer at that time is no longer with the Village and Council will review procedures to ensure that all transactions are dated on the date in which they are performed.

**VILLAGE OF NEW MADISON
DARKE COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING 2006-008

Payroll Taxes and Filings

The Village failed to file payroll tax filings accurately with the appropriate agencies, in which penalties and interest was assessed to the Village.

On the 2005 3rd quarter 941 return Social Security tax was computed and paid by the Village, however no Social Security was collected and did not need to be paid.

Form W-2's for the audit periods 2005 and 2006 did not match quarterly filings. The W-2's should be reviewed for accuracy and traced to quarterly filings to locate any discrepancies.

Response: New Fiscal Officer in place, implementation of review procedures for payroll filings has been completed.

FINDING 2006-009

Ohio Rev. Code Section 5705.36 allows subdivisions to request increased/decreased amended certificates upon determination by the fiscal officer that the revenue to be collected will be greater/less than the amount in the official certificate of estimated resources.

In 2005, estimated resources exceeded actual receipts in the debt service fund.

The fiscal officer should monitor the financial activities of the Village and request amended certificates when actual receipts will be less than the amounts estimated. This analysis should also encompass a comparison of appropriations versus available resources after amendment.

Response: The Fiscal Officer will monitor budgetary compliance more closely.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2006 AND 2005**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; <i>EXPLAIN:</i>
2004-001	ORC 5705.41(D) - Failure to certify the availability of funds prior to entering into purchase obligations.	NO	Reissue as 2006-001
2004-002	ORC 5705.41(B) - Expenditures exceeding appropriations	NO	Reissue as 2006-002
2004-003	ORC 5705.39 - Estimated revenue exceeding appropriations	NO	Reissue as 2006-003
2004-004	Unnecessary Bank Accounts and Accounts off the Book.	YES	



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW MADISON

DARKE 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
MARCH 13, 2008**