



**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MOUNT STERLING
MADISON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Mount Sterling
Madison County
1 Galbreath Square
Mt. Sterling, Ohio 43143

To the Village Council:

We have audited the accompanying financial statements of the Village of Mount Sterling, Madison County, Ohio, (the Village) as of and for the years ended December 31, 2000 and December 31, 1999. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

February 6, 2001

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**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$754,104 | \$70,200 | \$824,304 |
| Intergovernmental Receipts | 210,788 | 78,931 | 289,719 |
| Charges for Services | 24,584 | 0 | 24,584 |
| Fines, Licenses, and Permits | 11,765 | 1,855 | 13,620 |
| Earnings on Investments | 75,481 | 5,885 | 81,366 |
| Miscellaneous | 8,900 | 0 | 8,900 |
| | <u>1,085,622</u> | <u>156,871</u> | <u>1,242,493</u> |
| Total Cash Receipts | | | |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 566,151 | 71,724 | 637,875 |
| Public Health Services | 10,288 | 0 | 10,288 |
| Leisure Time Activities | 105,750 | 106,367 | 212,117 |
| Community Environment | 31,747 | 0 | 31,747 |
| Transportation | 0 | 318,208 | 318,208 |
| General Government | 410,492 | 0 | 410,492 |
| Capital Outlay | 0 | 0 | 0 |
| | <u>1,124,428</u> | <u>496,299</u> | <u>1,620,727</u> |
| Total Cash Disbursements | | | |
| Total Receipts Over/(Under) Disbursements | <u>(38,806)</u> | <u>(339,428)</u> | <u>(378,234)</u> |
| Other Financing Receipts/(Disbursements): | | | |
| Transfers-In | 2,377 | 314,780 | 317,157 |
| Advances-In | 2,641 | 2,377 | 5,018 |
| Transfers-Out | (314,780) | (2,377) | (317,157) |
| Advances-Out | (2,377) | (2,641) | (5,018) |
| | <u>(312,139)</u> | <u>312,139</u> | <u>0</u> |
| Total Other Financing Receipts/(Disbursements) | | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (350,945) | (27,289) | (378,234) |
| Fund Cash Balances, January 1 | 985,229 | 69,286 | 1,054,515 |
| Fund Cash Balances, December 31 | <u>\$634,284</u> | <u>\$41,997</u> | <u>\$676,281</u> |

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

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | <u>Proprietary Fund Types</u> | <u>Fiduciary Fund Type</u> | Totals (Memorandum Only) |
|--|-----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$905,866 | \$0 | \$905,866 |
| Interest | 0 | 0 | 0 |
| Miscellaneous | 383 | 0 | 383 |
| | <u>906,249</u> | <u>0</u> | <u>906,249</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 152,056 | 0 | 152,056 |
| Fringe Benefits | 63,910 | 0 | 63,910 |
| Contractual Services | 130,468 | 0 | 130,468 |
| Supplies and Materials | 103,283 | 0 | 103,283 |
| Capital Outlay | 55,169 | 0 | 55,169 |
| Miscellaneous | 3,030 | 0 | 3,030 |
| | <u>507,916</u> | <u>0</u> | <u>507,916</u> |
| Operating Income/(Loss) | <u>398,333</u> | <u>0</u> | <u>398,333</u> |
| Non-Operating Receipts And Disbursements: | | | |
| Miscellaneous Receipts | 0 | 8,975 | 8,975 |
| Interest | 0 | 135 | 135 |
| Debt Service: | | | |
| Principal Payments | (144,801) | 0 | (144,801) |
| Interest Payments | (264,491) | 0 | (264,491) |
| Other Non-Operating Cash Disbursements | 0 | (9,910) | (9,910) |
| | <u>(409,292)</u> | <u>(800)</u> | <u>(410,092)</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | (10,959) | (800) | (11,759) |
| Transfers-In | 0 | 584 | 584 |
| Transfers-Out | (584) | 0 | (584) |
| Net Receipts Over/(Under) Disbursements | (11,543) | (216) | (11,759) |
| Fund Cash Balances, January 1 | 409,535 | 28,809 | 438,344 |
| Fund Cash Balances, December 31 | <u>\$397,992</u> | <u>\$28,593</u> | <u>\$426,585</u> |

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

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$663,651 | \$62,973 | \$0 | \$726,624 |
| Intergovernmental Receipts | 157,043 | 75,828 | 0 | 232,871 |
| Charges for Services | 24,920 | 0 | 0 | 24,920 |
| Fines, Licenses, and Permits | 18,163 | 1,854 | 0 | 20,017 |
| Miscellaneous | 86,485 | 14,684 | 0 | 101,169 |
| | <u>950,262</u> | <u>155,339</u> | <u>0</u> | <u>1,105,601</u> |
| Total Cash Receipts | | | | |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 400,267 | 65,228 | 0 | 465,495 |
| Public Health Services | 8,831 | 0 | 0 | 8,831 |
| Leisure Time Activities | 95,397 | 0 | 0 | 95,397 |
| Community Environment | 61,029 | 0 | 0 | 61,029 |
| Basic Utility Services | 0 | 0 | 0 | 0 |
| Transportation | 0 | 372,750 | 0 | 372,750 |
| General Government | 223,325 | 0 | 0 | 223,325 |
| Debt Service: | | | | |
| Principal Payments | 0 | 0 | 134,314 | 134,314 |
| Interest Payments | 0 | 0 | 274,978 | 274,978 |
| Capital Outlay | 106,571 | 0 | 0 | 106,571 |
| | <u>895,420</u> | <u>437,978</u> | <u>409,292</u> | <u>1,742,690</u> |
| Total Disbursements | | | | |
| Total Receipts Over/(Under) Disbursements | <u>54,842</u> | <u>(282,639)</u> | <u>(409,292)</u> | <u>(637,089)</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Transfers-In | 35,223 | 145,000 | 409,292 | 589,515 |
| Transfers-Out | (145,000) | (35,223) | 0 | (180,223) |
| Total Other Financing Receipts/(Disbursements) | <u>(109,777)</u> | <u>109,777</u> | <u>409,292</u> | <u>409,292</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (54,935) | (172,862) | 0 | (227,797) |
| Fund Cash Balances, January 1 | <u>1,040,164</u> | <u>242,148</u> | <u>0</u> | <u>1,282,312</u> |
| Fund Cash Balances, December 31 | <u>\$985,229</u> | <u>\$69,286</u> | <u>\$0</u> | <u>\$1,054,515</u> |

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

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$860,405 | \$0 | \$860,405 |
| Miscellaneous | 0 | 0 | 0 |
| Total Operating Cash Receipts | <u>860,405</u> | <u>0</u> | <u>860,405</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 192,560 | 0 | 192,560 |
| Contractual Services | 158,320 | 0 | 158,320 |
| Supplies and Materials | 56,733 | 0 | 56,733 |
| Capital Outlay | 92,840 | 0 | 92,840 |
| Total Operating Cash Disbursements | <u>500,453</u> | <u>0</u> | <u>500,453</u> |
| Operating Income/(Loss) | <u>359,952</u> | <u>0</u> | <u>359,952</u> |
| Non-Operating Cash Receipts And Disbursements: | | | |
| Miscellaneous | | 10,866 | |
| Other Non-Operating Cash Disbursements | 0 | (10,411) | (10,411) |
| Total Non-Operating Cash Receipts And Disbursements Disbursements | <u>0</u> | <u>455</u> | <u>(10,411)</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | 359,952 | 455 | 360,407 |
| Transfers-Out | (409,292) | 0 | (409,292) |
| Net Receipts Over/(Under) Disbursements | (49,340) | 455 | (48,885) |
| Fund Cash Balances, January 1 | <u>458,875</u> | <u>28,354</u> | <u>487,229</u> |
| Fund Cash Balances, December 31 | <u>\$409,535</u> | <u>\$28,809</u> | <u>\$438,344</u> |

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

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Mount Sterling, Madison County, (the Village) is a body corporate and politic established to exercise 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 general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

As indicated below, the Mount Sterling Mayor's Court statutorily maintains amounts of cash activity in a fiduciary capacity outside the control of the Village Clerk. In July of 1999 the Village Council, by resolution, disbanded the Mayor's Court. This activity is not included in the accompanying financial statements.

| <u>1999</u> | | | |
|------------------------|----------|---------------|---------------------|
| Beginning Cash Balance | Receipts | Disbursements | Ending Cash Balance |
| \$47 | \$17,073 | \$17,120 | \$0 |

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 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).

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

C. Cash and Investments

Certificates of deposit and repurchase agreement are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported 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.

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to 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.

Park and Recreation Fund - This fund receives donations and general fund transfers to fund construction of the Park.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Debt Service - In 1999 this fund received enterprise fund transfers to fund the repayment of Ohio Water Department Agency (OWDA) loans.

4. 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 Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Water Debt Service Fund - This fund receives water fund transfers to fund the repayment of the Ohio Water Department Agency's water loan.

Sewer Debt Service Fund - This fund receives sewer fund transfers to fund the repayment of the Ohio Water Department Agency's sewer loans.

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Water Deposit Fund - This fund receives deposits from new customers when water and sewer services are initiated.

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 and object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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:

| | 2000 | 1999 |
|--------------------------------|----------------------------|----------------------------|
| Demand deposits | \$ 91,987 | \$ 97,099 |
| Certificates of deposit | <u>2,637</u> | <u>2,502</u> |
| Total deposits | <u>94,624</u> | <u>99,601</u> |
| Repurchase Agreement | 372,990 | 0 |
| STAR Ohio | <u>635,252</u> | <u>1,393,258</u> |
| Total investments | <u>1,008,242</u> | <u>1,393,258</u> |
| Total deposits and investments | <u><u>\$ 1,102,866</u></u> | <u><u>\$ 1,492,859</u></u> |

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and December 31, 1999 follows:

2000 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------------|----------------------------|--------------------------|
| General | \$ 1,027,241 | \$ 1,087,999 | \$ 60,758 |
| Special Revenue | 313,300 | 471,651 | 158,351 |
| Enterprise | <u>920,000</u> | <u>906,249</u> | <u>(13,751)</u> |
| Total | <u><u>\$ 2,260,541</u></u> | <u><u>\$ 2,465,899</u></u> | <u><u>\$ 205,358</u></u> |

2000 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|----------------------------|--------------------------|
| General | \$ 1,542,712 | \$ 1,439,208 | \$ 103,504 |
| Special Revenue | 480,073 | 498,676 | (18,603) |
| Enterprise | <u>1,416,977</u> | <u>917,792</u> | <u>499,185</u> |
| Total | <u><u>\$ 3,439,762</u></u> | <u><u>\$ 2,855,676</u></u> | <u><u>\$ 584,086</u></u> |

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 1999 Budgeted vs. Actual Receipts | | | |
|--|----------------------|---------------------|--------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 952,607 | \$ 985,485 | \$ 32,878 |
| Special Revenue | 227,730 | 300,339 | 72,609 |
| Debt Service | 415,549 | 409,292 | (6,257) |
| Enterprise | 972,735 | 860,405 | (112,330) |
| Total | <u>\$ 2,568,621</u> | <u>\$ 2,555,521</u> | <u>\$ (13,100)</u> |

| 1999 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|-------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 1,162,100 | \$ 1,040,420 | \$ 121,680 |
| Special Revenue | 487,600 | 473,201 | 14,399 |
| Debt Service | 415,549 | 409,292 | 6,257 |
| Enterprise | 948,400 | 909,745 | 38,655 |
| Total | <u>\$ 3,013,649</u> | <u>\$ 2,832,658</u> | <u>\$ 180,991</u> |

The Village had expenditures exceeding appropriations in the Parks and Recreation Fund, \$36,367, at December 31, 2000 and in the Computer Fund, \$33,050, at December 31, 1999. The Village also had appropriations exceeding the total estimated resources in several Special Revenue funds for both years ending December 31, 2000 and 1999.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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.

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

| | Principal | Interest Rate |
|--|--------------|------------------|
| Ohio Water Development Authority Loan-Sewer Line | \$ 522,265 | 7% |
| Ohio Water Development Authority Loan-Sewer Plant | 221,962 | 8% |
| Ohio Water Development Authority Loan-Water Plant | 1,213,230 | 8% |
| Ohio Water Development Authority Loan-Sludge Plant | 1,273,285 | 4% |
| Total | \$ 3,230,742 | |

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The scheduled payment amount below assumes that the total authorized amount will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

| Year ending December 31: | OWDA Loan - Sewer Line | OWDA Loan - Sludge Plant | OWDA Loan - Water Plant | OWDA Loan - Sewer Plant |
|-----------------------------|---------------------------|-----------------------------|----------------------------|----------------------------|
| 2001 | 33,071 | 84,239 | 77,851 | 9,485 |
| 2002 | 66,141 | 168,478 | 155,702 | 18,970 |
| 2003 | 66,141 | 168,478 | 155,702 | 18,970 |
| 2004 | 66,141 | 168,478 | 155,702 | 18,970 |
| 2005 | 66,141 | 168,478 | 155,702 | 18,970 |
| Subsequent | 496,061 | 1,347,824 | 1,323,467 | 218,155 |
| Total | \$ 793,696 | \$ 2,105,975 | \$ 2,024,126 | \$ 303,520 |

6. CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2000, the Village entered into a capitalized lease for a police cruiser and backhoe. In prior years, the Village entered into capitalized leases for a street sweeper.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2000.

| Fiscal Year Ending June 30, | General Long-Term Obligations |
|---|----------------------------------|
| 2001 | \$37,437 |
| 2002 | 37,987 |
| 2003 | 28,832 |
| 2004 | 13,832 |
| Total minimum lease payments | 118,088 |
| Less: amount representing interest | (13,738) |
| Present value of minimum lease payments | <u>\$104,350</u> |

Under the basis of accounting utilized by the Village, these capitalized assets are not reflected on the financial statements.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS 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 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Village of Mount Sterling
Madison County
1 Galbreath Square
Mt. Sterling, Ohio 43143

To the Village Council:

We have audited the accompanying financial statements of the Village of Mount Sterling, Madison County, Ohio (the Village), as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated February 6, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30649-001 and 2000-30649-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 6, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 6, 2001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 6, 2001.

This report is intended for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

February 6, 2001

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-30649-001

Ohio Rev Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

The following funds had expenditures in excess of appropriations at December 31, 2000 and 1999:

2000

| Fund | Expenditures | Appropriations | Amount in Excess |
|----------------------|---------------------|-----------------------|-------------------------|
| Parks and Recreation | \$106,367.00 | \$70,000.00 | \$36,367.00 |

1999

| Fund | Expenditures | Appropriations | Amount in Excess |
|---------------|---------------------|-----------------------|-------------------------|
| Computer Fund | \$33,050.00 | \$0.00 | \$33,050.00 |

We recommend that expenditures are only made if Council has properly passed budgetary appropriations which would authorize such expenditures.

FINDING NUMBER 2000-30649-002

Ohio Rev Code Section 5705.39 states appropriations are limited by estimated resources.

The following funds had appropriations in excess of total estimated resources:

2000

| Fund | Estimated Resources | Appropriations | Amount in Excess |
|----------------------|----------------------------|-----------------------|-------------------------|
| State Highway | \$19,052 | \$20,193 | \$1,141 |
| Park and Recreation | 0 | 70,000 | 70,000 |
| Drug Law Enforcement | 0 | 1,000 | 1,000 |
| Law Education | 0 | 5,018 | 5,018 |
| Fire Levy | 0 | 71,000 | 71,000 |

VILLAGE OF MOUNT STERLING
MADISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2000-30649-002 (Continued)

1999

| Fund | Estimated Resources | Appropriations | Amount in Excess |
|------------------------------------|----------------------------|-----------------------|-------------------------|
| Street Construction Maintenance | \$280,169 | \$348,800 | \$68,631 |
| Drug Law Enforcement | 0 | 2,500 | 2,500 |

We recommend that the Clerk/Treasurer and Council properly monitor budgetary activity to ensure that all applicable funds are properly budgeted and that such budgetary activity is reflected on the official certificate and the amended certificates of estimated resources.



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VILLAGE OF MT STERLING

MADISON 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 15, 2001