



**MADISON WATER DISTRICT
RICHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MADISON WATER DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

Madison Water District
Richland County
489 Indiana Avenue
Mansfield, Ohio 44905

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of the Madison Water District, Richland County, Ohio, (the District) as of December 31, 1999 and 1998, and for the year and the period from inception (August 6, 1998) to December 31, 1998 then ended, respectively. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the year ended December 31, 1999 and for the period from inception (August 6, 1998) to December 31, 1998 in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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Jim Petro
Auditor of State

September 13, 2000

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**MADISON WATER DISTRICT
BALANCE SHEET
DECEMBER 31, 1999 AND 1998**

ASSETS	1999	1998
Current Assets		
Cash	\$19,639	\$14,221
Accounts Receivable	9,007	9,952
Total Current Assets	28,646	24,173
Other Assets		
Property, Plant and Equipment (Net of accumulated depreciation)	1,797,919	1,825,135
Prepaid Insurance	250	
Deposits	260	300
Total Other Assets	1,798,429	1,825,435
Total Assets	\$1,827,075	\$1,849,608
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accrued Payroll Withholdings	\$403	\$210
Accounts Payable	4,641	4,080
Total Current Liabilities	5,044	4,290
Fund Equity		
Contributed Capital	1,792,868	1,825,135
Retained Earnings	29,163	20,183
Total Fund Equity	1,822,031	1,845,318
Total Liabilities and Fund Equity	\$1,827,075	\$1,849,608

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

MADISON WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1999 AND
FOR THE PERIOD FROM INCEPTION (AUGUST 6, 1998)
TO DECEMBER 31, 1998

	1999	1998
Operating Revenues		
Charges for Services	\$85,317	\$21,382
Miscellaneous	256	
	85,573	21,382
Operating Expenses		
Personal Services	8,205	1,109
Utilities	18,376	4,172
Rent	3,000	1,000
Repairs and Maintenance	1,687	
Testing and Licenses	32,830	6,553
Accounting and Legal Fees	689	
Chemicals and Operating Supplies	6,571	
Office Supplies and Materials	2,071	5,530
Insurance	1,541	1,541
Depreciation	33,416	8,177
Miscellaneous	4,342	454
	112,728	28,536
Operating Loss	(27,155)	(7,154)
Nonoperating Revenues		
Interest Income	2,292	160
Grant Income	1,576	19,000
	3,868	19,160
Net Income (Loss)	(23,287)	12,006
Add Depreciation on Fixed Assets Donated From U.S.E.P.A. or Purchased with U.S.E.P.A. Grant that Reduces Contributed Capital	32,267	8,177
Net Increase in Retained Earnings	8,980	20,183
Retained Earnings at Beginning of Year	20,183	0
Retained Earnings at End of Year	\$29,163	\$20,183

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

**MADISON WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Cash Flows From Operating Activities		
Operating Loss	(\$27,155)	(\$7,154)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	33,416	8,177
Interest Income	2,292	160
Grant Income	1,576	19,000
(Increase) Decrease in Assets:		
Accounts Receivable	945	(9,952)
Prepaid Expenses	(250)	
Increase in Liabilities:		
Accrued Payroll Withholdings	193	210
Accounts Payable	561	4,080
Total Adjustments	<u>38,733</u>	<u>21,675</u>
Net Cash Provided by Operating Activities	11,578	14,521
Cash Flows Provided by (Used In) Capital and Related Activities		
Building		(200,000)
Furniture and Equipment	(2,030)	(3,312)
Machinery and Equipment	(4,170)	(1,630,000)
Deposits	40	(300)
Net Cash Used in Capital and Related Activities	(6,160)	(1,833,612)
Cash Flows Provided by Financing Activities		
Contributed Capital	<u>0</u>	<u>1,833,312</u>
Net Increase in Cash	5,418	14,221
Cash at Beginning of Year	<u>14,221</u>	<u>0</u>
Cash at End of Year	<u><u>\$19,639</u></u>	<u><u>\$14,221</u></u>

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

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**MADISON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Madison Water District, Richland County, (the District) 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 District was created in 1997 by the Richland County Court of Common Pleas in accordance with the provisions of Chapter 6119 of the Ohio Revised Code. The District's financial activity commenced on August 6, 1998. The District is directed by a five-member Board of Trustees appointed by a majority vote of the Board of Trustees of Madison Township. The District provides water services to residents of the District.

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

B. Basis of Accounting

The District operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in all material respects. The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions to its financial statements which were issued on or before November 30, 1989 unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements, in which case GASB prevails.

C. Deposits

The District maintains a money market account checking account. The District had no investments.

D. Budgetary Process

A budget of estimated revenues and expenses was prepared by the Board of Trustees for 1999. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the District, regardless of whether the District levies property taxes. As a result, the District must henceforth adopt annual appropriations, limited by estimated resources. Expenses will be limited by appropriations.

A summary of 1999 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation, and are updated for the cost of additions and reductions during the year. Depreciation expense is provided using the straight-line method over the estimated useful lives of the related assets. Donated fixed assets are recorded at their fair market values as of the date donated. The District has established a capitalization threshold for fixed assets at \$500.

**MADISON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant and Equipment (Continued)

The estimated useful lives are as follows:

Building	50 years
Machinery and Equipment	25-50 years
Furniture and Equipment	5-7 years

F. CONTRIBUTED CAPITAL

Contributed capital represents resources provided to the District from the U.S.E.P.A. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed capital grant resources is expensed and closed to contributed capital at year end.

2. CASH

The District maintains a money market checking account. The carrying amount of cash was \$19,639 and \$14,221 at December 31, 1999 and 1998, respectively.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 1999 including unbudgeted depreciation, is as follows:

Budgeted vs. Actual Revenues	
	1999
Budgeted Revenues	\$81,600
Actual Revenues	89,441
Variance	\$7,841
Budgeted vs. Actual Budgetary Basis Expenses	
	1999
Appropriation Authority	\$81,600
Actual Expenses	112,728
Variance	(\$31,128)

**MADISON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. RETIREMENT SYSTEM

The District's part-time employee and the Board of Trustees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 1999.

5. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

6. CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the years ended December 31, 1999 and 1998, are as follows:

	<u>1999</u>	<u>1998</u>
Contributed Capital, Beginning of Year	\$1,825,135	\$ 0
U.S.E.P.A. Donated Assets		1,830,000
U.S.E.P.A. Grant Purchases		3,312
Less Depreciation Expense Charged to Contributed Capital	<u>(32,267)</u>	<u>(8,177)</u>
Contributed Capital, End of Year	<u>\$1,792,868</u>	<u>\$1,825,135</u>

7. FIXED ASSETS

A summary of fixed assets for the years ended December 31, 1999 and 1998, are as follows:

	<u>1999</u>	<u>1998</u>
Building	\$200,000	\$ 200,000
Machinery and Equipment	1,634,170	1,630,000
Furniture and Equipment	<u>5,342</u>	<u>3,312</u>
Totals	1,839,512	1,833,312
Accumulated Depreciation	<u>(41,593)</u>	<u>(8,177)</u>
Net	<u>\$1,797,919</u>	<u>\$1,825,135</u>

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

Madison Water District
Richland County
489 Indiana Avenue
Mansfield, Ohio 44905

To the Board of Trustees:

We have audited the general purpose financial statements of the Madison Water District, Richland County, Ohio, (the District) as of December 31, 1999 and 1998, and for the year and the period from inception (August 6, 1998) to December 31, 1998 then ended, respectively, and have issued our report thereon dated September 13, 2000. We conducted our audits 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 District'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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated September 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District'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 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. 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 District in a separate letter dated September 13, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

September 13, 2000



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OFFICE OF THE AUDITOR

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MADISON WATER DISTRICT

RICHLAND 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
OCTOBER 24, 2000**