



**VILLAGE OF NEW MADISON
DARKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NEW MADISON
DARKE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of New Madison
Darke County
124 South Harrison Avenue
P.O. Box 15
New Madison, Ohio 45346

To the Village Council:

We have audited the accompanying financial statements of the Village of New Madison, Darke County, (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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 described 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 July 13, 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

July 13, 2001

**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, 2000**

| | <u>Governmental Fund Types</u> | | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$36,743 | \$46,332 | \$61,653 | | \$144,728 |
| Special Assessments | | | | \$48,190 | 48,190 |
| Intergovernmental Receipts | 88,804 | 41,804 | 9,375 | | 139,983 |
| Charges for Services | 51,400 | | | | 51,400 |
| Fines, Licenses, and Permits | 556 | | | | 556 |
| Earnings on Investments | 7,917 | 481 | | 969 | 9,367 |
| Miscellaneous | 10,710 | 120 | | | 10,830 |
| | <u>196,130</u> | <u>88,737</u> | <u>71,028</u> | <u>49,159</u> | <u>405,054</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 43,781 | 46,441 | 1,559 | | 91,781 |
| Public Health Services | 3,336 | | | | 3,336 |
| Leisure Time Activities | 4,684 | | | | 4,684 |
| Community Environment | 31,973 | | | | 31,973 |
| Basic Utility Services | 75,740 | | | | 75,740 |
| Transportation | 9,933 | 30,784 | | | 40,717 |
| General Government | 17,660 | | | | 17,660 |
| Debt Service: | | | | | |
| Principal & Interest Payments | | | 76,838 | | 76,838 |
| Capital Outlay | | | | 20,295 | 20,295 |
| | <u>187,107</u> | <u>77,225</u> | <u>78,397</u> | <u>20,295</u> | <u>363,024</u> |
| Total Receipts Over/(Under) Disbursements | 9,023 | 11,512 | (7,369) | 28,864 | 42,030 |
| Fund Cash Balances January 1 | 132,205 | 76,524 | 135,109 | 57,196 | 401,034 |
| Fund Cash Balances, December 31 | <u>\$141,228</u> | <u>\$88,036</u> | <u>\$127,740</u> | <u>\$86,060</u> | <u>\$443,064</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------------------|---------------------------------|---|
| | <u>Enterprise</u> | <u>Agency Mayor's Court</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$82,321 | | \$82,321 |
| Interest Income | 12,827 | | 12,827 |
| Miscellaneous | | \$5 | 5 |
| | <hr/> | <hr/> | <hr/> |
| Total Operating Cash Receipts | 95,148 | 5 | 95,153 |
| | <hr/> | <hr/> | <hr/> |
| Operating Cash Disbursements: | | | |
| Personal Services | 20,296 | | 20,296 |
| Contractual Services | 40,590 | | 40,590 |
| Court Disbursements | | 25 | 25 |
| | <hr/> | <hr/> | <hr/> |
| Total Operating Cash Disbursements | 60,886 | 25 | 60,911 |
| | <hr/> | <hr/> | <hr/> |
| Operating Income/(Loss) | 34,262 | (20) | 34,242 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, January 1 | 27,255 | 110 | 27,365 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>\$61,517</u> | <u>\$90</u> | <u>\$61,607</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 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> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$30,308 | \$61,355 | \$56,352 | | \$148,015 |
| Special Assessments | | | | \$52,437 | 52,437 |
| Intergovernmental Receipts | 103,305 | 40,014 | 6,324 | | 149,643 |
| Charges for Services | 55,708 | | | | 55,708 |
| Fines, Licenses, and Permits | 857 | 35 | | | 892 |
| Earnings on Investments | 5,554 | 329 | | 683 | 6,566 |
| Miscellaneous | 8,411 | | | | 8,411 |
| Total Cash Receipts | <u>204,143</u> | <u>101,733</u> | <u>62,676</u> | <u>53,120</u> | <u>421,672</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 37,732 | 36,425 | 1,380 | | 75,537 |
| Public Health Services | 3,148 | | | | 3,148 |
| Leisure Time Activities | 2,334 | | | | 2,334 |
| Community Environment | 28,876 | | | | 28,876 |
| Basic Utility Services | 73,977 | | | | 73,977 |
| Transportation | 10,000 | 39,566 | | | 49,566 |
| General Government | 15,661 | | | | 15,661 |
| Debt Service: | | | | | |
| Principal & Interest Payments | | | 264,764 | | 264,764 |
| Capital Outlay | | | | 20,142 | 20,142 |
| Total Disbursements | <u>171,728</u> | <u>75,991</u> | <u>266,144</u> | <u>20,142</u> | <u>534,005</u> |
| Total Receipts Over/(Under) Disbursements | 32,415 | 25,742 | (203,468) | 32,978 | (112,333) |
| Other Financing Receipts/(Disbursements): | | | | | |
| Loan Proceeds | 11,866 | | 300,000 | | 311,866 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 44,281 | 25,742 | 96,532 | 32,978 | 199,533 |
| Fund Cash Balances January 1 | <u>87,924</u> | <u>50,782</u> | <u>38,577</u> | <u>24,218</u> | <u>201,501</u> |
| Fund Cash Balances, December 31 | <u><u>\$132,205</u></u> | <u><u>\$76,524</u></u> | <u><u>\$135,109</u></u> | <u><u>\$57,196</u></u> | <u><u>\$401,034</u></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 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 Mayor's Court</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$78,514 | | \$78,514 |
| Interest Income | 793 | | 793 |
| Miscellaneous | | \$449 | 449 |
| | <hr/> | <hr/> | <hr/> |
| Total Operating Cash Receipts | 79,307 | 449 | 79,756 |
| Operating Cash Disbursements: | | | |
| Personal Services | 33,141 | | 33,141 |
| Supplies and Materials | 50,607 | | 50,607 |
| Court Disbursements | | 499 | 499 |
| | <hr/> | <hr/> | <hr/> |
| Total Operating Cash Disbursements | 83,748 | 499 | 84,247 |
| Operating Income/(Loss) | (4,441) | (50) | (4,491) |
| Fund Cash Balances, January 1 | <hr/> | <hr/> | <hr/> |
| | 31,696 | 160 | 31,856 |
| Fund Cash Balances, December 31 | <u><u>\$27,255</u></u> | <u><u>\$110</u></u> | <u><u>\$27,365</u></u> |

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

**VILLAGE OF NEW MADISON
DARKE 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 New Madison, Darke 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 utilities and trash collection, park operations (leisure time activities), and police 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 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

The Village invests in Certificates of deposit. The investments in Certificates of Deposit are valued 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 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 Fund

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.

Road Construction Levy Fund- This fund receives the proceeds of a property tax levy to improve streets and alleys in the Village.

Fire Levy Fund- This fund receives the proceeds of a property tax levy for fire protection.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Police Fund- This fund receives the proceeds of a property tax levy for the operation of the Village Police Department.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness.

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

4. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Sewer Capital Improvement Fund - This fund is used for the planning and construction activity of the new Village sewer system.

5. 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.

Meter Fund - This fund receives a percentage of the water revenue collected for the purchase of water meters.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court Fund - This agency fund records the financial activity of the Village's Mayor's Court.

**VILLAGE OF NEW MADISON
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 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 canceled, and reappropriated in the subsequent year.

The Village did not encumber certain commitments during 1999 and 2000 as required by Ohio law.

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.

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>2000</u> | <u>1999</u> |
|-------------------------|-------------------|-------------------|
| Demand deposits | \$ 488,614 | \$ 413,146 |
| Certificates of deposit | <u>16,057</u> | <u>15,253</u> |
| Total deposits | <u>\$ 504,671</u> | <u>\$ 428,399</u> |

**VILLAGE OF NEW MADISON
DARKE COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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 | \$ 134,424 | \$ 196,130 | \$ 61,706 |
| Special Revenue | 81,720 | 88,737 | 7,017 |
| Debt Service | 63,730 | 71,028 | 7,298 |
| Capital Projects | 44,000 | 49,159 | 5,159 |
| Enterprise | 69,450 | 95,148 | 25,698 |
| Total | \$ 393,324 | \$ 500,202 | \$ 106,878 |

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 196,000 | \$ 187,107 | \$ 8,893 |
| Special Revenue | 107,550 | 77,225 | 30,325 |
| Debt Service | 81,515 | 78,397 | 3,118 |
| Capital Projects | 55,000 | 20,295 | 34,705 |
| Enterprise | 79,200 | 60,886 | 18,314 |
| Total | \$ 519,265 | \$ 423,910 | \$ 95,355 |

| 1999 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 152,090 | \$ 216,009 | \$ 63,919 |
| Special Revenue | 89,297 | 101,733 | 12,436 |
| Debt Service | 55,830 | 362,676 | 306,846 |
| Capital Projects | 42,518 | 53,120 | 10,602 |
| Enterprise | 69,450 | 79,307 | 9,857 |
| Total | \$ 409,185 | \$ 812,845 | \$ 403,660 |

**VILLAGE OF NEW MADISON
DARKE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

| 1999 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 197,879 | \$ 171,728 | \$ 26,151 |
| Special Revenue | 82,827 | 75,991 | 6,836 |
| Debt Service | 266,144 | 266,144 | 0 |
| Capital Projects | 55,142 | 20,142 | 35,000 |
| Enterprise | 87,200 | 83,748 | 3,452 |
| Total | \$ 689,192 | \$ 617,753 | \$ 71,439 |

The Village was not in compliance with the budgetary requirements of Ohio Rev. Code, Section 5705.41(D), to certify funds are available prior to incurring an obligation for certain transactions during the audit period.

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.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

| | Principal | Interest Rate |
|---|------------|------------------|
| Ohio Public Work Commission Loan # EV 411 | \$ 15,000 | 0% |
| Ohio Public Work Commission Loan # EV 412 | 30,000 | 0% |
| Water Pollution Control Loan | 27,456 | 3.20% |
| Sewer Note | 300,000 | 5% |
| Farmers State Bank Loan | 7,666 | 4.75% |
| Total | \$ 380,122 | |

**VILLAGE OF NEW MADISON
DARKE COUNTY**

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

5. DEBT (Continued)

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

| Year ending December 31: | OWPC Loans | WPLC Loan | Sewer Note | Farmers State Bank Loan |
|-----------------------------|------------------|------------------|-------------------|-------------------------------|
| 2001 | \$ 7,500 | \$ 27,818 | \$ 315,000 | \$ 3,002 |
| 2002 | 7,500 | 0 | 0 | 3,275 |
| 2003 | 7,500 | 0 | 0 | 1,910 |
| 2004 | 7,500 | 0 | 0 | 0 |
| 2005 | 7,500 | 0 | 0 | 0 |
| 2006 | 7,500 | 0 | 0 | 0 |
| Total | <u>\$ 45,000</u> | <u>\$ 27,818</u> | <u>\$ 315,000</u> | <u>\$ 8,187</u> |

In addition, the Village entered into a lease-purchase agreement for a maintenance truck.

| Year | Lease Principal | Lease Interest | Total Payments |
|------|------------------|-----------------|------------------|
| 2001 | \$ 4,703 | \$1,731 | \$ 6,434 |
| 2002 | 5,086 | 1,348 | 6,434 |
| 2003 | 5,501 | 933 | 6,434 |
| 2004 | <u>5,949</u> | <u>485</u> | <u>6,434</u> |
| | <u>\$ 21,239</u> | <u>\$ 4,497</u> | <u>\$ 25,736</u> |

6. RETIREMENT SYSTEMS

The Village officials and employees 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.

PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for January 1999 through June 2000 and an amount equal to 8.13% of participants' gross salaries for July through December 2000. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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



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

Village of New Madison
Darke County
124 South Harrison Avenue
P.O. Box 15
New Madison, Ohio 45346

To the Village Council:

We have audited the accompanying financial statements of the Village of New Madison, Darke County, (the Village), as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated July 13, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-30319-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 13, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 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 Village in a separate letter dated July 13, 2001.

Village of New Madison
Darke County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

July 13, 2001

VILLAGE OF NEW MADISON
DARKE 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

2000-30319-001

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

Forty- two percent of disbursement transactions tested for 1999 and 2000 were not certified prior to incurring the obligation nor was the exception utilized.

The Village should develop a policies and procedures to improve compliance with this requirement and certify the availability of funds prior to incurring the obligation.



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OFFICE OF THE AUDITOR

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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
AUGUST 23, 2001