



**MADISON WATER DISTRICT
RICHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MADISON WATER DISTRICT
RICHLAND COUNTY

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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 and for the years ended December 31, 2001 and 2000. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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 *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, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2002, 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. 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 audits.

Jim Petro
Auditor of State

February 22, 2002

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**MADISON WATER DISTRICT
RICHLAND COUNTY**

**BALANCE SHEET
DECEMBER 31, 2001 AND 2000**

	2001	2000
ASSETS		
Current Assets		
Cash	\$63,161	\$45,192
Accounts Receivable	15,902	11,487
	79,063	56,679
Total Current Assets		
Other Assets		
Property, Plant and Equipment (Net of accumulated depreciation)	1,730,057	1,763,988
Prepaid Insurance	250	250
Deposits	260	260
	1,730,567	1,764,498
Total Other Assets		
	1,730,567	1,764,498
Total Assets	\$1,809,630	\$1,821,177
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accrued Payroll and Withholdings	\$372	\$587
Accounts Payable	5,135	18,878
	5,507	19,465
Total Current Liabilities		
	5,507	19,465
Fund Equity		
Contributed Capital	1,726,348	1,759,277
Retained Earnings	77,775	42,435
	1,804,123	1,801,712
Total Fund Equity		
	1,804,123	1,801,712
Total Liabilities and Fund Equity	\$1,809,630	\$1,821,177

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

**MADISON WATER DISTRICT
RICHLAND COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
Operating Revenues		
Charges for Services	\$124,265	\$102,031
Miscellaneous	7	2
	<u>124,272</u>	<u>102,033</u>
Operating Expenses		
Personal Services	9,492	8,706
Utilities	21,878	19,921
Rent	3,000	3,000
Repairs and Maintenance	5,723	15,265
Testing and Licenses	36,768	33,226
Professional Fees	6,331	5,210
Chemicals and Operating Supplies	1,001	29
Office Supplies and Materials	2,440	2,275
Insurance	2,810	1,541
Depreciation	33,931	33,931
Miscellaneous	1,324	803
	<u>124,698</u>	<u>123,907</u>
Operating Loss	<u>(426)</u>	<u>(21,874)</u>
Nonoperating Revenues		
Interest Income	<u>2,837</u>	<u>1,555</u>
Net Income (Loss)	2,411	(20,319)
Add Depreciation on Fixed Assets Donated By U.S.E.P.A. or Purchased with U.S.E.P.A. Grants that Reduces Contributed Capital	<u>32,929</u>	<u>33,591</u>
Net Increase in Retained Earnings	35,340	13,272
Retained Earnings at Beginning of Year	<u>42,435</u>	<u>29,163</u>
Retained Earnings at End of Year	<u>\$77,775</u>	<u>\$42,435</u>

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

**MADISON WATER DISTRICT
RICHLAND COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
Cash Flows From Operating Activities		
Operating Loss	(\$426)	(\$21,874)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	33,931	33,931
Interest Income	2,837	1,555
 (Increase) in Assets:		
Accounts Receivable	(4,415)	(2,480)
 Increase (Decrease) in Liabilities:		
Accrued Payroll and Withholdings	(215)	184
Accounts Payable	(13,743)	14,237
Total Adjustments	18,395	47,427
 Net Cash Provided by Operating Activities	17,969	25,553
 Net Increase in Cash	17,969	25,553
 Cash at Beginning of Year	45,192	19,639
 Cash at End of Year	\$63,161	\$45,192

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

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**MADISON WATER DISTRICT
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Madison Water District, Richland County, Ohio, (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 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 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 2001 and 2000. 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 adopt annual appropriations, limited by estimated resources. Expenses will be limited by appropriations.

A summary of 2001 and 2000 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
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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 United States Environmental Protection Agency (U.S.E.P.A.). These assets are recorded at their fair market value on the date contributed. Depreciation on 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 \$63,161 and \$45,192 at December 31, 2001 and 2000, respectively. The bank balance was \$64,657 and \$46,184 at December 31, 2001 and 2000, respectively.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 is as follows:

Budgeted vs. Actual Revenues	
	2001
Budgeted Revenues	\$125,744
Actual Revenues	127,109
Variance	\$1,365
Budgeted vs. Actual Budgetary Basis Expenses	
	2001
Appropriation Authority	\$125,744
Actual Expenses	124,698
Variance	\$1,046

**MADISON WATER DISTRICT
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

<u>Budgeted vs. Actual Revenues</u>	
	<u>2000</u>
Budgeted Revenues	\$84,629
Actual Revenues	<u>103,588</u>
Variance	<u><u>\$18,959</u></u>

<u>Budgeted vs. Actual Budgetary Basis Expenses</u>	
	<u>2000</u>
Appropriation Authority	\$84,629
Actual Expenses	<u>123,907</u>
Variance	<u><u>(\$39,278)</u></u>

- Contrary to Ohio Rev. Code Section 5705.41(B), the District had actual expenses in excess of total appropriations at December 31, 2000.

4. RETIREMENT SYSTEM

The District's part-time employee and the Board of Trustees belong to the Public Employees Retirement System (PERS) of Ohio. The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The District's PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The District has paid all contributions required through December 31, 2001.

5. RISK MANAGEMENT

The District belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

**MADISON WATER DISTRICT
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. RISK MANAGEMENT (Continued)

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

6. CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the years ended December 31, 2001 and 2000, are as follows:

	<u>2001</u>	<u>2000</u>
Contributed Capital, Beginning of Year	\$1,759,277	\$ 1,792,868
Less Depreciation Expense Charged to Contributed Capital	<u>(32,929)</u>	<u>(33,591)</u>
Contributed Capital, End of Year	<u>\$1,726,348</u>	<u>\$1,759,277</u>

7. FIXED ASSETS

A summary of fixed assets for the years ended December 31, 2001 and 2000, are as follows:

	<u>2001</u>	<u>2000</u>
Building	\$200,000	\$ 200,000
Machinery and Equipment	1,634,170	1,634,170
Furniture and Equipment	<u>5,342</u>	<u>5,342</u>
Totals	1,839,512	1,839,512
Accumulated Depreciation	<u>(109,455)</u>	<u>(75,524)</u>
Net	<u>\$1,730,057</u>	<u>\$1,763,988</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 and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 22, 2002. 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 *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 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 2001-40570-001.

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 February 22, 2002.

Madison Water District
Richland County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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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.

Jim Petro
Auditor of State

February 22, 2002

MADISON WATER DISTRICT
RICHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-40570-001

Noncompliance Citation

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

At December 31, 2000, expenses exceeded appropriations by the following amount:

<u>Appropriation Authority</u>	<u>Actual Expenses</u>	<u>Variance</u>
\$84,629	\$123,907	\$39,278

The Office Manager should frequently compare actual expenses to appropriations to avoid potential overspending.



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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
APRIL 9, 2002**