



**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Midvale
Tuscarawas County
3111 Barnhill Road
P.O. Box 227
Midvale, Ohio 44653

To the Village Council:

We have audited the accompanying financial statements of the Village of Midvale, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. 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 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.

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 and reserves for encumbrances of the Village as of December 31, 2001 and 2000, 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 22, 2002 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 audits.

This report is intended solely for the information and use of management, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

July 22, 2002

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$171,332 | \$44,322 | \$215,654 |
| Intergovernmental Receipts | 29,413 | 42,170 | 71,583 |
| Charges for Services | 6,138 | 4,210 | 10,348 |
| Fines, Licenses, and Permits | 1,295 | 0 | 1,295 |
| Earnings on Investments | 5,533 | 1,646 | 7,179 |
| Miscellaneous | 8,654 | 8,604 | 17,258 |
| | <u>222,365</u> | <u>100,952</u> | <u>323,317</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 64,061 | 0 | 64,061 |
| Public Health Services | 1,788 | 0 | 1,788 |
| Leisure Time Activities | 8,993 | 8,576 | 17,569 |
| Basic Utility Services | 8,290 | 0 | 8,290 |
| Transportation | 19,431 | 98,883 | 118,314 |
| General Government | 140,506 | 383 | 140,889 |
| Debt Service: | | | |
| Principal Payments | 0 | 21,476 | 21,476 |
| Interest Payments | 0 | 5,041 | 5,041 |
| Miscellaneous | 32 | 0 | 32 |
| | <u>243,101</u> | <u>134,359</u> | <u>377,460</u> |
| Total Receipts (Under) Disbursements | <u>(20,736)</u> | <u>(33,407)</u> | <u>(54,143)</u> |
| Other Financing Receipts and (Disbursements): | | | |
| Transfers-In | 0 | 11,518 | 11,518 |
| Transfers-Out | (11,518) | 0 | (11,518) |
| Other Financing Sources | 8,696 | 0 | 8,696 |
| | <u>(2,822)</u> | <u>11,518</u> | <u>8,696</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (23,558) | (21,889) | (45,447) |
| Fund Cash Balances, January 1 | 190,004 | 84,679 | 274,683 |
| Fund Cash Balances, December 31 | <u>\$166,446</u> | <u>\$62,790</u> | <u>\$229,236</u> |
| Reserves for Encumbrances, December 31 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

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

**VILLAGE OF MIDVALE
TUSCARAWAS 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 | \$174,724 | \$44,172 | \$218,896 |
| Intergovernmental Receipts | 84,842 | 53,887 | 138,729 |
| Charges for Services | 600 | 2,850 | 3,450 |
| Fines, Licenses, and Permits | 581 | 0 | 581 |
| Earnings on Investments | 5,080 | 280 | 5,360 |
| Miscellaneous | 7,566 | 5,073 | 12,639 |
| | <u>273,393</u> | <u>106,262</u> | <u>379,655</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 34,567 | 0 | 34,567 |
| Public Health Services | 231 | 0 | 231 |
| Leisure Time Activities | 8,466 | 1,300 | 9,766 |
| Basic Utility Services | 15,894 | 0 | 15,894 |
| Transportation | 1,865 | 42,594 | 44,459 |
| General Government | 130,577 | 0 | 130,577 |
| Debt Service: | | | |
| Principal Payments | 0 | 30,108 | 30,108 |
| Interest Payments | 0 | 1,624 | 1,624 |
| Capital Outlay | 418 | 67,725 | 68,143 |
| | <u>192,018</u> | <u>143,351</u> | <u>335,369</u> |
| Total Receipts Over/(Under) Disbursements | <u>81,375</u> | <u>(37,089)</u> | <u>44,286</u> |
| Other Financing Receipts and (Disbursements): | | | |
| Proceeds of Notes | 0 | 66,947 | 66,947 |
| Transfers-In | 0 | 36,000 | 36,000 |
| Transfers-Out | (40,000) | 0 | (40,000) |
| Other Financing Uses | (1) | (950) | (951) |
| | <u>(40,001)</u> | <u>101,997</u> | <u>61,996</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 41,374 | 64,908 | 106,282 |
| Fund Cash Balances, January 1 | <u>148,630</u> | <u>19,771</u> | <u>168,401</u> |
| Fund Cash Balances, December 31 | <u>\$190,004</u> | <u>\$84,679</u> | <u>\$274,683</u> |
| Reserves for Encumbrances, December 31 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

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

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

| | Enterprise | |
|---|-------------------|------------------|
| | 2001 | 2000 |
| Operating Cash Receipts: | | |
| Charges for Services | \$201,077 | \$198,639 |
| Miscellaneous | 0 | 1,623 |
| Total Operating Cash Receipts | 201,077 | 200,262 |
| Operating Cash Disbursements: | | |
| Personal Services | 38,658 | 48,774 |
| Fringe Benefits | 14,231 | 377 |
| Contractual Services | 31,205 | 19,130 |
| Supplies and Materials | 112,982 | 98,665 |
| Capital Outlay | 13,207 | 22,058 |
| Total Operating Cash Disbursements | 210,283 | 189,004 |
| Operating Income/(Loss) | (9,206) | 11,258 |
| Non-Operating Cash Receipts: | | |
| Proceeds of Note | 100,000 | 0 |
| Other Non-Operating Receipts | 1,630 | 4,102 |
| Total Non-Operating Cash Receipts | 101,630 | 4,102 |
| Non-Operating Cash Disbursements: | | |
| Debt Service: | | |
| Principal Payments | 110,000 | 10,000 |
| Interest Payments | 6,923 | 7,550 |
| Other Non-Operating Cash Disbursements | 7 | 59 |
| Total Non-Operating Cash Disbursements | 116,930 | 17,609 |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers | (24,506) | (2,249) |
| Transfers-In | 0 | 4,000 |
| Net Receipts Over/(Under) Disbursements | (24,506) | 1,751 |
| Fund Cash Balances, January 1 | 104,498 | 102,747 |
| Fund Cash Balances, December 31 | \$79,992 | \$104,498 |
| Reserves for Encumbrances, December 31 | \$0 | \$0 |

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**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Midvale, Tuscarawas 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 water and trash utilities, park operations, and police and fire 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

The Village maintains both interest and non-interest bearing checking accounts and an interest-bearing savings account.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 has 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.

Street Levy Fund - This fund receives tax levy money for constructing, maintaining, and repairing Village streets.

Parks Recreation Fund - This fund receives donations and park building rentals to fund the maintenance and repair of the Park.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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 has the following significant Enterprise Fund:

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve the appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 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.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH

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

| | 2001 | 2000 |
|-----------------|-----------|-----------|
| Demand deposits | \$309,228 | \$379,181 |

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

| 2001 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$225,576 | \$231,061 | \$5,485 |
| Special Revenue | 151,259 | 112,470 | (38,789) |
| Debt Service | 50,000 | 0 | (50,000) |
| Enterprise | 241,943 | 302,707 | 60,764 |
| Total | \$668,778 | \$646,238 | (\$22,540) |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$299,650 | \$254,619 | \$45,031 |
| Special Revenue | 128,050 | 134,359 | (6,309) |
| Debt Service | 0 | 0 | 0 |
| Enterprise | 285,094 | 327,213 | (42,119) |
| Total | \$712,794 | \$716,191 | (\$3,397) |

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

| 2000 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$274,229 | \$273,393 | (\$836) |
| Special Revenue | 157,500 | 209,209 | 51,709 |
| Debt Service | 10,000 | 0 | (10,000) |
| Enterprise | 224,040 | 208,364 | (15,676) |
| Total | \$665,769 | \$690,966 | \$25,197 |

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$261,400 | \$232,019 | \$29,381 |
| Special Revenue | 119,000 | 144,301 | (25,301) |
| Debt Service | 0 | 0 | 0 |
| Enterprise | 239,642 | 206,613 | (33,029) |
| Total | \$620,042 | \$582,933 | (\$28,949) |

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations within the General Fund, certain Special Revenue Funds, and the Enterprise Fund during 2001 and 2000.

Contrary to Ohio Rev. Code Section 5705.41(D), 2001 and 2000 expenditures were not certified prior to incurring the commitment.

Contrary to Ohio Rev. Code Section 733.28, certain receipts and expenditures were improperly classified during 2001 and 2000.

5. 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 payments, 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.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

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

5. PROPERTY TAX (Continued)

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. DEBT

Debt outstanding at December 31, 2001 was as follows:

| | Principal | Interest Rate |
|--------------------------|-----------|---------------|
| Water Storage Tower Note | \$100,000 | 5.35% |
| Truck Purchase Note | 45,471 | 7.55% |
| Total | \$145,471 | |

The Water Storage Tower Note was issued to construct a water storage tower. The note will be repaid in annual payments of \$20,000, plus interest, beginning February 2002, over five years.

The Truck Purchase Note was issued to purchase a dump truck/plow/spreader. The note will be repaid in annual payments of \$8,030, plus interest, beginning October 2001, over seven years. The Truck Purchase Note is collateralized with the equipment purchased.

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

| | Water Storage Tower Note | Truck Purchase Note |
|--------------------------|--------------------------------|---------------------------|
| Year ending December 31: | | |
| 2002 | \$24,915 | \$12,059 |
| 2003 | 23,932 | 11,563 |
| 2004 | 22,895 | 11,029 |
| 2005 | 21,802 | 10,454 |
| 2006 – 2010 | 20,648 | 27,439 |
| Total | \$114,192 | \$72,544 |

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

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

8. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village 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 Village has paid all contributions required through December 31, 2001.

9. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2001 and 2000 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31 (latest information available):

| | <u>2000</u> | <u>1999</u> |
|-----------------------------|--------------------|------------------|
| Assets | \$2,958,827 | \$4,151,450 |
| Liabilities | <u>3,863,373</u> | <u>3,461,914</u> |
| Retained (deficit) earnings | <u>(\$904,546)</u> | <u>\$689,536</u> |

10. SUBSEQUENT EVENT

During June 2002, the Village was awarded Community Development Block Grant monies totaling \$70,100 for curb and sidewalks on Rutledge Street and East State Street.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Village of Midvale
Tuscarawas County
3111 Barnhill Road
P.O. Box 227
Midvale, Ohio 44653

To the Village Council:

We have audited the accompanying financial statements of the Village of Midvale, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 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 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 audits 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 2001-31279-001 through 2001-31279-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 22, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 22, 2002.

This report is intended solely for the information and use of management and the Village Council, 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 stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

July 22, 2002

**VILLAGE OF MIDVALE
TUSCARAWAS 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 2001-31279-001

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, 2001, the General Fund, certain Special Revenue Funds, the Enterprise Water Operating Fund, and the Enterprise Water Works Storage Tank Fund had expenditures plus outstanding encumbrances which exceeded appropriations up to approximately \$17,000. At December 31, 2000, the General Fund, and certain Special Revenue Funds had expenditures plus outstanding encumbrances which exceeded appropriations up to approximately \$14,000.

In addition, appropriations posted to the Village's Appropriation Ledgers did not always reconcile to the Village's Annual Appropriation Measure plus supplemental appropriations. The Village Clerk should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the object level to avoid potential overspending. In addition, the Village Clerk should periodically review the Village's Appropriation Ledgers to ensure appropriation amounts are posted accurately and timely.

FINDING NUMBER 2001-31279-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate
- If the amount involved is less than \$1,000, the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of Village Council, if such expenditure is otherwise valid

During 2001 and 2000, 100% of expenditures tested were not certified as to the availability of funds with a proper certificate of the fiscal officer. The Village Clerk should certify the availability of funds prior to incurring the obligation for expenditures. In addition, the Village should implement the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2001-31279-003

Noncompliance Citation

Ohio Rev. Code Section 733.28 states the Village Clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and all taxes and assessments.

During 2001 and 2000, the Village Clerk improperly classified and subsequently recorded certain receipts and expenditures as follows:

- During 2001, the Village Clerk initially inappropriately recorded a Reeves Foundation Grant reimbursement totaling \$8,575 as Intergovernmental revenue and a corresponding Leisure Time Activities expense within the General Fund. In addition, the aforementioned amount was also initially inappropriately classified as Charges for Services rather than as Miscellaneous revenue within the Special Revenue Parks Recreation Fund. As a result, Intergovernmental revenue and Leisure Time Activities expense within the General Fund were initially overstated by \$8,575. In addition, Charges for Services and Miscellaneous revenue within the Special Revenue Parks Recreation Fund were initially overstated and understated by \$8,575, respectively
- During 2001 and 2000, the Village Clerk recorded real estate, personal property, and manufactured home tax receipts in the amount of \$44,322 and \$44,172, respectively, as Special Assessments within the Special Revenue Fund rather than as Property Tax and Other Local Taxes. As a result, Special Revenue Fund were initially overstated and understated, respectively
- During 2001, the Village Clerk recorded \$638 as a transfer-in within the Special Revenue Street Construction, Maintenance and Repair Fund; however, a corresponding transfer-out was not subsequently recorded. As a result, transfers-in and transfers-out did not initially reconcile
- During 2001, the Village Clerk recorded \$1,332 as a transfer-out within the Enterprise Water Works Storage Tank Fund; however, the subsequent transfer-in was recorded as Charges for Services revenue within the Water Operating Fund. As a result, Charges for Services and Transfers-In within the Water Operating Fund were initially overstated and understated by \$1,332, respectively
- During 2001, the Village Clerk did not record note proceeds and a corresponding principal payment for the Water Storage Tank Note rollover totaling \$100,000. Also during 2000, a similar instance occurred with the Recreational Facility Improvement Note and Truck Note totaling, roughly \$10,700 and \$56,200, respectively. As a result, note proceeds and subsequent principal payments were initially understated
- During 2001 and 2000, the Village Clerk recorded trash collection receipts totaling roughly \$18,400 and \$16,600, respectively, within the Enterprise Water Operating Fund as Miscellaneous revenue. Subsequently, trash collection receipts were expended from the Enterprise Water Operating Fund and recorded as Charges for Services revenue within the Enterprise Trash Collection Fund. As a result, Miscellaneous revenue and expenditures within the Enterprise Water Operating Fund were initially overstated

FINDING NUMBER 2001-31279-003
(Continued)

The Village Clerk should properly record receipts and expenditures, taxes and assessments, as follows:

- Grants should be directly recorded into the fund in which they apply. This would prevent the overstatement of revenues and expenditures within the General Fund
- Real estate, personal property, and manufacture home tax receipts should be recorded as Property Tax and Other Local Taxes
- Transfers should be recorded as Transfers-In and Transfers-Out within the applicable funds. This would help ensure that Transfers, as presented on the financial statements, balance
- Debt proceeds should be recorded as Proceeds of Notes, including the proceeds of a note rollover
- Trash collection receipts should be directly recorded into the Enterprise Trash Collection Fund. This would prevent the overstatement of receipts and expenditures within the Enterprise Water Operating Fund

This will help ensure receipts and expenditures are properly classified.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|------------------|---|
| 99-1 | Ohio Rev. Code Section 5705.41(D) , failure to certify funds. | No | Not Corrected – Refer to Finding Number 2001-31279-002. |
| 99-2 | Ohio Administrative Code Chapter 117-5-18 , requirement to file an annual report. | Yes | Finding No Longer Valid. |
| 99-3 | Ohio Administrative Code Chapter 117-5 , providing for the uniform system of accounting. | No | Partially Corrected – Similar matters will be repeated in the Management Letter. |
| 99-4 | Ohio Rev. Code Section 5705.41(B) , failure to properly appropriate money. | No | Not Corrected – Refer to Finding Number 2001-31279-001. |



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OFFICE OF THE AUDITOR

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VILLAGE OF MIDVALE

TUSCARAWAS 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 27, 2002**