

**VILLAGE OF MIDWAY  
MADISON COUNTY  
Regular Audit  
December 31, 2008 and 2007**

***Perry & Associates***  
Certified Public Accountants, A.C.





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Midway  
13830 Main Street SW  
Sedalia, Ohio 43151

We have reviewed the *Independent Accountants' Report* of the Village of Midway, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 to December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Midway is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 26, 2009

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**This Page is Intentionally Left Blank.**

VILLAGE OF MIDWAY  
MADISON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 .....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	10
Schedule of Audit Findings .....	12
Schedule of Prior Audit Findings .....	15

***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT**

April 17, 2009

Village of Midway  
Madison County  
13830 Main Street SW  
PO Box 119  
Sedalia, OH 43151-0179

To the Village Council:

We have audited the accompanying financial statements of the **Village of Midway, Madison County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007 or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Midway, Madison County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 4,962	\$ -	\$ 4,962
Intergovernmental	37,630	9,058	46,688
Earnings on Investments	723	1,089	1,812
Miscellaneous	146	-	146
	<u>43,461</u>	<u>10,147</u>	<u>53,608</u>
<b>Total Cash Receipts</b>			
	<u>43,461</u>	<u>10,147</u>	<u>53,608</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	20,281	-	20,281
Leisure Time Activities	31,570	-	31,570
Basic Utility Services	4,808	-	4,808
Transportation	15,719	8,546	24,265
	<u>72,378</u>	<u>8,546</u>	<u>80,924</u>
<b>Total Cash Disbursements</b>			
	<u>72,378</u>	<u>8,546</u>	<u>80,924</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>(28,917)</u>	<u>1,601</u>	<u>(27,316)</u>
Fund Cash Balances, January 1	<u>44,374</u>	<u>27,663</u>	<u>72,037</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 15,457</u></u>	<u><u>\$ 29,264</u></u>	<u><u>\$ 44,721</u></u>

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



**VILLAGE OF MIDWAY  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 8,092	\$ -	\$ 8,092
Intergovernmental	43,146	10,205	53,351
Earnings on Investments	716	2,148	2,864
Miscellaneous	485	-	485
	<u>52,439</u>	<u>12,353</u>	<u>64,792</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	24,519	-	24,519
Leisure Time Activities	10,997	-	10,997
Basic Utility Services	4,662	-	4,662
Transportation	5,839	15,210	21,049
	<u>46,017</u>	<u>15,210</u>	<u>61,227</u>
Total Cash Receipts Over/(Under) Disbursements	<u>6,422</u>	<u>(2,857)</u>	<u>3,565</u>
Fund Cash Balances, January 1 (Restated, See Note 2)	<u>37,952</u>	<u>30,520</u>	<u>68,472</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 44,374</u></b>	<b><u>\$ 27,663</u></b>	<b><u>\$ 72,037</u></b>

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

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Midway, Madison County, Ohio (the Village) as a body corporate and politic. A publicly-elected, six-member Council governs the Village. The Village provides general governmental services and park operations (leisure time activities). Range Township Fire Department provides fire protection services. Sterling Joint Ambulance District provides emergency medical 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's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. This basis reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values Certificates of Deposit 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Street Construction, Maintenance, and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

State Highway Improvement Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Permissive Motor Vehicle License Tax Fund – This fund receives permissive vehicle license tax for maintaining and repairing Village streets.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments, as required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 4.

**F. Property, Plant and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**2. PRIOR PERIOD FUND BALANCE ADJUSTMENT**

The Village made a fund balance adjustment in 2007 to adjust for an overstatement of the Village's Certificates of Deposit balances that was discovered during the prior audit period that was reflected in the balance as of December 31, 2006.

	<b>General Fund</b>
Balance as of December 31, 2006	\$ 38,193
Adjustment for CD Balance Overstatement	(241)
Adjusted January 1, 2007 Fund Balance	\$ 37,952

**3. EQUITY IN POOLED CASH**

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

	2008	2007
Demand Deposits	\$ 16,718	\$ 14,107
Certificates of Deposit	28,003	57,930
Total Deposits	\$ 44,721	\$ 72,037

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,000	\$ 43,461	\$ (3,539)
Special Revenue	10,000	10,147	147
Total	\$ 57,000	\$ 53,608	\$ (3,392)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 80,900	\$ 72,378	\$ 8,522
Special Revenue	29,050	8,546	20,504
Total	\$ 109,950	\$ 80,924	\$ 29,026

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 85,000	\$ 52,439	\$ (32,561)
Special Revenue	39,000	12,353	(26,647)
Total	\$ 124,000	\$ 64,792	\$ (59,208)

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 84,400	\$ 46,017	\$ 38,383
Special Revenue	26,000	15,210	10,790
Total	\$ 110,400	\$ 61,227	\$ 49,173

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 25% and 30% of expenditures tested during 2008 and 2007 respectively.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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.

**6. RETIREMENT SYSTEMS**

The Village's Mayor, Clerk-Treasurer, and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement 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 2008 and 2007, members of PERS contributed 10% (2008) and 9.5% (2007) of their gross salaries. The Village contributed an amount equal to 14% (2008) and 13.85% (2007) of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

The Village Council voted not to participate in OPERS for 2008 or 2007. Village Council members did not have social security withheld during 2008 or 2007.

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

April 17, 2009

Village of Midway  
Madison County  
13830 Main Street SW  
PO Box 119  
Sedalia, OH 43151-0179

To the Village Council:

We have audited the financial statements of the **Village of Midway, Madison County, Ohio** (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 17, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

### **Internal Control over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the following significant deficiency described above is a material weakness: 2008-005.

We noted certain matters that we reported to the Village's management in a separate letter dated April 17, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which is described in the accompanying schedule of findings as items 2008-001 through 2008-004.

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.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.



**VILLAGE OF MIDWAY  
MADISON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2008-001**

**Noncompliance Citation/Significant Deficiency**

**Ohio Revised Code § 5705.41(D)(1)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Clerk-Treasurer is attached thereto. The Clerk-Treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a Clerk-Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the Clerk-Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the Clerk-Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Clerk-Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – Clerk-Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Village-Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

30% of the transactions tested in 2007 and 25% of the transactions tested in 2008 were not certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2008-001 (Continued)**

**Ohio Revised Code § 5705.41(D)(1) (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are, or will be, available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2008-002**

**Noncompliance Citation/Significant Deficiency**

**Ohio Admin. Code Section 117-2-02 (D)(4)(a)** requires all local public offices to maintain payroll records including: (1) W-2's, W-3's, W-4's and other withholding records and authorizations; (2) a payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee, and the fund and account charged for the payments; and (3) a check register that includes, in numerical sequence, the check number, payee, net amount, and the date.

The Village was unable to provide W-3's for either 2008 or 2007. The W-2 gross wage amounts for 2008 were incorrect for the officials who contributed to OPERS. The OPERS contribution was incorrectly subtracted from the gross wage amount.

The Clerk-Treasurer should maintain the appropriate payroll records.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2008-003**

**Noncompliance Citation/Significant Deficiency**

**26 Code of Federal Regulations Section 1.6041-2** provides that wages, as defined in 26 United States Code Section 3401 should be reported on a Form W-2, or "all other payments of compensation" are to be reported on a form 1099". United States 3402 states "...every employer making payments of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computation procedures prescribed by the Secretary of the Treasury".

The Village did not issue an IRS Form 1099 for independent contractor services rendered during 2007 and 2008 for which the Village paid the contractor over \$600.

The Village should issue a Form 1099 to all independent, unincorporated contractors to whom the Village pays \$600 or more in a given calendar year.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2008-004**

**Noncompliance Citation/Significant Deficiency**

**26 U.S.C. § 3101(a)** requires an employer to withhold Social Security tax from compensation paid. The Village's Council voted not to participate in OPERS in 2008 or 2007; however, the Village Council did not have any Social Security tax withheld in 2008 or 2007.

We recommend the Village withhold Social Security tax.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2008-005**

**Significant Deficiency/Material Weakness**

**Financial Statement Presentation**

A monitoring system should be established by the Village Council to help prevent or detect material misstatements on the Village's financial statements.

For the fiscal years under audit, there were errors in footing in the combined and combining statements of the annual report, and amounts had been carried forward incorrectly between the statements due to these errors. Some of the footing errors were due to rounding and some errors were due to inaccurate balances carried forward from the prior year's financial statements. The Clerk-Treasurer did not accurately post receipts and encumbrances to the Village's financial statements or accounting ledgers. The following posting errors were noted

- Intergovernmental receipts were posted as Property and Other Local Taxes and Miscellaneous receipts.
- Property and Other Local Taxes were posted as Miscellaneous receipts.
- Earnings on Investments receipts were posted as Miscellaneous receipts.
- Reserve for Encumbrances were improperly recorded on the financial statements.

Not posting revenues and encumbrances accurately resulted in the financial statements requiring numerous adjustments and reclassifications. The financial statements reflect all adjustments and reclassifications.

The lack of due care in compiling the financial statements could result in errors of irregularities occurring without being detected in the normal course of business, or on a timely basis.

Diligence should be exercised in compiling the financial statements and care should be taken to ensure that the proper beginning balances are carried forward, rounding is considered and adjusted for in arriving at final totals, and proper totals are carried forward from the combining to the combined statements. When complete the statements should be double-checked for accuracy.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC Section 5705.41(D) – Disbursements not properly encumbered	No	Not Corrected; Repeated as Finding 2008-001
2006-002	ORC Section 731.14 – Contracts not competitively bid	Yes	
2006-003	ORC Section 5705.41(B) – Expenditures exceeded appropriations	Yes	
2006-004	Receipts, expenditures, and encumbrances not accurately posted to the financial statements	No	Not Corrected; Repeated as Finding 2008-005
2006-005	26 U.S.C. Section 3101(a) – Social Security or OPERS not withheld from compensation paid.	No	Not Corrected; Repeated as Finding 2008-004



Mary Taylor, CPA  
Auditor of State

VILLAGE OF MIDWAY

MADISON COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JUNE 9, 2009