

VILLAGE OF MIDDLE POINT

VAN WERT COUNTY

REGULAR AUDIT

JANUARY 01, 2007 THROUGH DECEMBER 31, 2008

YEARS AUDITED UNDER GAGAS: 2008 AND 2007

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Village Council
Village of Middle Point
P.O. Box 191
Middle Point, Ohio 45863

We have reviewed the *Independent Auditor's Report* of the Village of Middle Point, Van Wert County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2007 through 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 Auditor's 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 Auditor's 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 Middle Point is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 13, 2010

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**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Village of Middle Point
Van Wert County
103 North Adams Street
Middle Point, Ohio 45863

To the Village Council:

We were engaged to audit the accompanying financial statements of the combined funds of the Village of Middle Point, Van Wert County (the Village), as of and for the period January 1, 2007 through December 31, 2008, which collectively comprise the Village's financial statements as listed in the table of contents. The financial statements are the responsibility of the Village's management.

We were not able to obtain sufficient documentation during testing of cash, intergovernmental revenue, tax revenue, water and sewer revenue, charges for services, miscellaneous revenue, debt, non-payroll expenses and payroll expenses. Also, we did not obtain the attorney letter response from the Village Solicitor.

Because of the significance of the matters stated in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph for the years ended December 31, 2007 and December 31, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our engagement.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

September 15, 2009

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**VILLAGE OF MIDDLE POINT
VAN WERT 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>	
Cash Receipts:			
Property and Other Taxes	\$ 6,149	\$ 11,325	\$ 17,474
Municipal Income Tax	61,366	-	61,366
Intergovernmental	60,184	25,732	85,916
Charges for Services	4,090	83,872	87,962
Fines, Licenses, and Permits	2,419	-	2,419
Earnings on Investments	1,379	14	1,393
Miscellaneous	9,142	1,584	10,726
	<u>144,729</u>	<u>122,527</u>	<u>267,256</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	8,269	53,224	61,493
Public Health Services	2,013	-	2,013
Community Environment	4,468	-	4,468
Transportation	-	25,166	25,166
General Government	94,430	18	94,448
Capital Outlay	-	9,565	9,565
Debt Service:			
Principal Payment	1,710	28,388	30,098
Interest and Fiscal Charges	6,278	-	6,278
	<u>117,168</u>	<u>116,361</u>	<u>233,529</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>27,561</u>	<u>6,166</u>	<u>33,727</u>
Fund Cash Balance, January 1	<u>38,374</u>	<u>123,211</u>	<u>161,585</u>
Fund Cash Balance, December 31	<u><u>\$ 65,935</u></u>	<u><u>\$ 129,377</u></u>	<u><u>\$ 195,312</u></u>

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 155,439
Total Operating Cash Receipts	155,439
Operating Cash Disbursements:	
Personal Services	19,316
Employee Fringe Benefits	7,624
Contractual Services	37,542
Supplies and Materials	29,361
Total Operating Cash Disbursements	93,843
Operating Income	61,596
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	31,466
Interest	-
Capital Outlay	37,927
Total Non-Operating Cash Disbursements	69,393
Receipts Over Disbursements Before Interfund Transfers	(7,797)
Transfers-In	52,809
Transfers-Out	(52,809)
Net Receipts/(Under) Disbursements	(7,797)
Fund Cash Balance, January 1	63,824
Fund Cash Balance, December 31	\$ 56,027

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

**VILLAGE OF MIDDLE POINT
VAN WERT 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>	
Cash Receipts:			
Property and Other Taxes	\$ 17,474	\$ 14,951	\$ 32,425
Municipal Income Tax	50,967	-	50,967
Intergovernmental	29,963	27,687	57,650
Charges for Services	5,567	59,634	65,201
Fines, Licenses, and Permits	2,317	-	2,317
Earnings on Investments	3,936	21	3,957
Miscellaneous	3,996	13,000	16,996
Total Cash Receipts	<u>114,220</u>	<u>115,293</u>	<u>229,513</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	7,392	56,214	63,606
Public Health Services	4,010	-	4,010
Community Environment	5,036	-	5,036
Transportation	-	17,350	17,350
General Government	89,991	179	90,170
Capital Outlay	-	22,337	22,337
Debt Service:			
Principal Payment	1,710	28,388	30,098
Interest and Fiscal Charges	6,278	-	6,278
Total Cash Disbursements	<u>114,417</u>	<u>124,468</u>	<u>238,885</u>
Total Receipts Over/(Under) Disbursements	<u>(197)</u>	<u>(9,175)</u>	<u>(9,372)</u>
Other Financing Receipts/(Disbursements)			
Other Debt Proceeds	-	5,600	5,600
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>5,600</u>	<u>5,600</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(197)</u>	<u>(3,575)</u>	<u>(3,772)</u>
Fund Cash Balance, January 1	<u>38,571</u>	<u>126,786</u>	<u>165,357</u>
Fund Cash Balance, December 31	<u>\$ 38,374</u>	<u>\$ 123,211</u>	<u>\$ 161,585</u>

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 143,372
Total Operating Cash Receipts	143,372
Operating Cash Disbursements:	
Personal Services	18,205
Employee Fringe Benefits	10,385
Contractual Services	81,203
Supplies and Materials	15,948
Total Operating Cash Disbursements	125,741
Operating Income	17,631
Non-Operating Cash Receipts:	
Intergovernmental	179,668
Total Non-Operating Cash Receipts	179,668
Non-Operating Cash Disbursements:	
Debt Service:	
Principal	82,835
Interest	10,744
Capital Outlay	144,917
Total Non-Operating Cash Disbursements	238,496
Receipts Over Disbursements Before Interfund Transfers	(41,197)
Transfers-In	100,296
Transfers-Out	(100,296)
Net Receipts/(Under) Disbursements	(41,197)
Fund Cash Balance, January 1	105,021
Fund Cash Balance, December 31	\$ 63,824

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

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 Middle Point, Van Wert County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, water and sewer utilities, and fire protection 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village 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 Fund

These funds 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.

Fire and Emergency Medical Services Operating Fund – This fund receives revenue from contracts with other municipalities for which the Village provides fire protection services. It also receives charges for services from EMS runs.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Proprietary Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

Sewer Debt Fund – This fund received loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. A utility surcharge recorded in this fund will repay the loan.

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. 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 carried over, and need not be reappropriated. There were no encumbrances for 2008 or 2007.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2008	2007
Demand deposits	\$151,339	\$125,409
Certificate of deposit	100,000	100,000
Total deposits	\$251,339	\$225,409

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

3. BUDGETARY ACTIVITY

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

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$144,729	\$144,729
Special Revenue	0	122,527	\$122,527
Enterprise Funds	0	208,248	\$208,248
Total	\$0	\$475,504	\$475,504

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$117,168	(\$117,168)
Special Revenue	0	116,361	(116,361)
Enterprise Funds	0	216,045	(216,045)
Total	\$0	\$449,574	(\$449,574)

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$114,220	\$114,220
Special Revenue	0	120,893	120,893
Enterprise Funds	0	423,336	423,336
Total	\$0	\$658,449	\$658,449

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$114,417	(\$114,417)
Special Revenue	0	124,468	(124,468)
Enterprise Funds	0	464,533	(464,533)
Total	\$0	\$703,418	(\$703,418)

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent 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.

6. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest
Ohio Water Development Authority Loan (#2803)	\$457,088	2.00%
Ohio Water Development Authority Loan (#4604)	93,053	2.00%
Ohio Public Works Commission	15,600	0.00%
Mortgage - Community Building	90,363	7.00%
Fire Truck Lease	21,720	4.19%
Total deposits	\$677,824	

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan #2803 relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$31,193, including interest, over 25 years. The loan is collateralized by the water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #4604 relates to the water tower replacement project. The loan will be repaid in semiannual installments over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village has been approved to borrow \$101,747, however, as of December 31, 2008, only \$96,895 has been disbursed.

The Ohio Public Works Commission (OPWC) loan relates to the water tower replacement project. The interest free loan will be repaid in semiannual installments of \$400 over a 20 year period. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The mortgage loan relates to the purchase of a community building. The loan was issued in the Village's name during 1999, however, the community building committee made the required payments through May, 2001. The Village reissued the debt with the first annual payment due during the year 2002 and the final payment during the year 2014 which includes a balloon payment.

During the year 2003, the Village entered into a lease purchase for a new fire truck. This lease is payable in six annual installments. Title to the fire truck transferred to the Village upon entering into the lease.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA LOAN #2803	OWDA LOAN #4604	OPWC LOAN	MORTGAGE	FIRE TRUCK LEASE
2009	\$ 62,386	\$ 6,198	\$ 800	\$ 7,987	\$ 28,388
2010	62,386	6,198	800	7,987	-
2011	62,386	6,198	800	7,987	-
2012	62,386	6,198	800	7,987	-
2013	62,386	6,198	800	7,987	-
2014-2018	187,158	30,990	4,000	82,049	-
2019-2023	-	30,990	5,600	-	-
2024-2026	-	18,594	-	-	-
Total	\$ 499,088	\$ 111,564	\$ 13,600	\$ 121,984	\$ 28,388

7. RETIREMENT SYSTEMS

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5 percent of their gross wages, respectively. The Village did not contribute an amount equal to 14 and 13.85 percent, respectively, of participants' gross salaries.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	<u>2008</u>	<u>2007</u>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>5,286,781</u>	<u>4,273,553</u>
Retained Earnings	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. COMPLIANCE

Contrary to Ohio Rev. Code Section 5705.28, the Village did not provide supporting documentation evidencing the adoption of a tax budget on or before July 15 for the succeeding year for 2008 and 2007.

Contrary to Ohio Rev. Code Section 5705.30, the Village did not submit to the County Auditor an adopted tax budget by the July 20th. The 2008 and 2007 tax budget was not filed with the County Auditor.

Contrary to Ohio Rev. Code Section 5705.34, the Village did not certify the necessary tax levies to the County Auditor before October 1 for 2008 and 2007.

Contrary to Ohio Rev. Code Section 5705.36 (A) (1), the Village did not certify to the County Auditor the total amount from all sources which is available for expenditures for fiscal year 2008 and 2007.

Contrary to Ohio Rev. Code Section 5705.36(A) (2), the Village did not request amended certificates of estimated resources for 2008 and 2007.

Contrary to Ohio Rev. Code Section 5705.38(A), the Village did not pass an annual appropriation measure for 2008 and 2007 by the required date.

Contrary to Ohio Rev. Code Section 5705.39, the Village did not file a certificate of available balances or obtain a certificate of estimated revenue for 2008 and 2007.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

9. COMPLIANCE (Continued)

Contrary to Ohio Rev. Code Section 5705.40, the Village did not have an effective appropriation measure for 2008 and 2007 due to failure to file with the County Auditor

Contrary to Ohio Rev. Code Section 5705.41 (B), the Village expenditures exceeded appropriations in all funds for 2008 and 2007 due to the Village's failure to file the appropriations and obtain certification by the County Auditor.

Contrary to Ohio Rev. Code Section 5705.41(C), the Village did not document from which fund disbursements were being drawn against.

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not properly certify funds prior to a commitment being paid during 2008 and 2007.

Contrary to Ohio Rev. Code Section 121.22(C), the Village did not promptly record meeting minutes and make them available to the public during 2008 and 2007.

Contrary to Ohio Rev. Code Section 149.351, the Village could not present supporting documentation for several expenditures tested for 2008 and 2007.

Contrary to Ohio Rev. Code Section 149.43(B) (1), the Village did not prepare and make all public records available for public inspection during 2008 and 2007.

Contrary to Ohio Rev. Code Section 733.27, the Village could not provide supporting documentation indicating the Village Clerk attended and completed required continuing education training during 2008 and 2007.

Contrary to Ohio Administrative Code Section 117-2-02(A), the Village did not maintain an appropriate accounting system.

Caudill & Associates, CPA's
725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Engagement Performed in Accordance with *Government Auditing Standards***

Village of Middle Point
103 North Adams Street
Middle Point, Ohio 45863

To the Village Council:

We were engaged to audit the financial statements of the Village of Middle Point, Van Wert County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 15, 2009, which was disclaimed for lack of evidential matter regarding cash, intergovernmental revenue, tax revenue, water and sewer revenue, charges for services, miscellaneous revenue, debt, non-payroll expenses and payroll expenses. Also, we did not obtain the legal response letter from the Village Solicitor. We conducted our engagement 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.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Village's internal control over financial reporting as a basis for designing our engagement procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of 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 significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 a misstatement of the Village's financial statements that is more than inconsequential, will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2008-013, 2008-014, 2008-015, 2008-016, 2008-017, 2008-018, 2008-019, 2008-020, 2008-021, 2008-022, 2008-023, 2008-024, 2008-025, 2008-026, 2008-027 and 2008-028.

Village of Middle Point
Van Wert County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Engagement Performed in Accordance with *Government Auditing Standards*

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting as items 2008-020, 2008-021, 2008-022, 2008-023, 2008-024, 2008-025, 2008-026, 2008-027 and 2008-028.

Compliance and Other Matters

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 grant agreements, 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 sixteen instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2008-001, 2008-002, 2008-003, 2008-004, 2008-005, 2008-006, 2008-007, 2008-008, 2008-009, 2008-010, 2008-011, 2008-012, 2008-013, 2008-020, 2008-026 and 2008-028.

We noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated September 15, 2009.

The Village's responses to the findings identified in our engagement are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Caudill & Associates, CPA's

September 15, 2009

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

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

FINDING NUMBER 2008-001

Noncompliance Citation – Ohio Rev. Code Section 5705.28

Ohio Rev. Code Section 5705.28 states on or before July 15, in each year, the taxing authority of each subdivision or other taxing unit must adopt a tax budget for the succeeding fiscal year.

The Village did not adopt a tax budget for 2008 and 2007 on or before July 15 of the prior year.

We recommend the Village adopt a tax budget on or before July 15, in each year, for the succeeding fiscal year.

Village Response:

All filings are for the 2009 are current with the County. The Van Wert County Auditor has provided the Village with a letter confirming this information.

FINDING NUMBER 2008-002

Noncompliance Citation - Ohio Rev. Code Section 5705.30

Ohio Revised Code Section 5705.30 states that the budget, after adoption, shall be submitted to the County Auditor on or before the twentieth day of July. Any subdivision that fails to submit its budget to the County Auditor on or before the twentieth day of July, unless the commissioner on or before the twentieth day of July prescribes a later date for submission of the budget by that subdivision, shall not receive an apportionment from the undivided local government fund distribution for the ensuing calendar year, unless upon review of the matter the commissioner determines that the budget was adopted by the subdivision on or before the fifteenth day of July, but was not submitted to the County Auditor by the twentieth day of July or the later time prescribed by the commissioner because of ministerial error by the subdivision or its officers, employees, or other representatives.

No documentation of filing with County Auditor for the 2008 tax budget.

No documentation of filing with County Auditor for the 2007 tax budget.

The Village should file the budget with the County Auditor by July twentieth of the given year.

Village Response:

All filings are for the 2009 are current with the County. The Van Wert County Auditor has provided the Village with a letter confirming this information.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

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

FINDING NUMBER 2008-003

Noncompliance Citation – Ohio Rev. Code Section 5705.34

Ohio Rev. Code Section 5705.34 states each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the County Auditor before October 1, unless a later date is approved by the tax commissioner.

The Village did not certify the necessary tax levies to the County Auditor before October 1, for 2008 or 2007.

We recommend the Village pass an ordinance or resolution to authorize the necessary tax levies before October 1.

Village Response:

All filings are for the 2009 are current with the County. The Van Wert County Auditor has provided the Village with a letter confirming this information.

FINDING NUMBER 2008-004

Noncompliance Citation – Ohio Rev. Code Section 5705.36(A) (1)

Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year for 2008 and 2007.

The Village should certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year.

Village Response:

All filings are for the 2009 are current with the County. The Van Wert County Auditor has provided the Village with a letter confirming this information.

**VILLAGE OF MIDDLE POINT
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**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-005

Noncompliance Citation – Ohio Rev. Code Section 5705.36 (A) (2)

Ohio Rev. Code Section 5705.36 (A) (2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The Village did not file a certificate of estimated resources available for expenditure for 2008 or 2007, therefore, no amended certificates of estimated resources available for expenditures were requested.

We recommend the Village request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Village Response:

All filings for the 2009 are current with the County. The Van Wert County Auditor has provided the Village with a letter confirming this information.

FINDING NUMBER 2008-006

Noncompliance Citation – Ohio Rev. Code Section 5705.38 (A)

Ohio Rev. Code Section 5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Village did not pass annual appropriation measures for 2008 and 2007.

We recommend the Village on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Village Response:

All filings for the 2009 are current with the County. The Van Wert County Auditor has provided the Village with a letter confirming this information.

**VILLAGE OF MIDDLE POINT
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**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-007

Noncompliance Citation – Ohio Rev. Code Section 5705.39

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village did not file a certificate of available balances, obtain a certificate of estimated revenue, or file an appropriation resolution for 2008 and 2007; therefore, the Village did not receive a certificate from the County Auditor.

The Village should file and obtain the appropriate certificates from the County Auditor.

Village Response:

All filings are for the 2009 are current with the County. The Van Wert County Auditor has provided the Village with a letter confirming this information.

FINDING NUMBER 2008-008

Noncompliance Citation – Ohio Rev. Code Section 5705.40

Ohio Rev. Code Section 5705.40 - Amending or supplementing appropriations, contingencies.

Any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another. Subject to certain limitations, the annual appropriation measure may contain an appropriation for contingencies.

No effective appropriation measure was in place for 2008 or 2007 due to the Villages failure to file with the County Auditor certificates of estimated revenue and appropriation resolutions for certification.

Amended or supplemental appropriations need to be issued and approved by Council.

Village Response:

All filings are for the 2009 are current with the County. The Van Wert County Auditor has provided the Village with a letter confirming this information.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

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

FINDING NUMBER 2008-009

Noncompliance Citation – Ohio Rev. Code Section 5705.41(B)

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

Expenditures exceeded appropriations in all funds for 2008 and 2007 as a result of the Village’s failure to issue appropriations and obtain certification by the County Auditor.

The Village should approve appropriation amounts and obtain certificate from the County Auditor. When expenditures exceed the approved appropriation amounts, amended or supplemental appropriations need to be issued and approved by Council.

Village Response:

All filings are for the 2009 are current with the County. The Van Wert County Auditor has provided the Village with a letter confirming this information.

FINDING NUMBER 2008-010

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

**VILLAGE OF MIDDLE POINT
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**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) (Continued)

100% of the expenditures tested were not properly certified in 2008 and 100% in 2007.

We recommend the Village implement policies to ensure that all purchases first have monies certified by the Clerk Treasurer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

Village Response:

The Village will follow the auditor’s recommendation.

FINDING NUMBER 2008-011

Noncompliance Citation – Ohio Rev. Code Section 121.22 (C)

Ohio Rev. Code Section 121.22 (C) states all meetings of any public body are to be open to the public at all times. A member of the public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only to reflect the general subject matter of discussions in executive sessions.

The Village could not provide meeting minutes for 2008 and 2007 for inspection.

We recommend the Village promptly record meeting minutes and make them available for public inspection.

Village Response:

The Village will follow the auditor’s recommendation.

**VILLAGE OF MIDDLE POINT
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**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-012

Noncompliance Citation - Ohio Rev. Code Section 733.27

Ohio Rev. Code Section 733.27 states Village fiscal officers must attend annual continuing education programs provided by the Auditor of State.

Certificates of completion of annual continuing education programs could not be produced for the Village Clerk.

We recommend the Village send the Village Clerk to annual continuing education programs provided by the Auditor of State.

Village Response:

Continuing education programs will be required of new hires.

FINDING NUMBER 2008-013

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (C) – Significant Deficiency

Ohio Rev. Code Section 5705.41 (C) states no subdivision is to expend money except by a proper warrant drawn against an appropriate fund.

During testing, several instances of warrants without documentation as to the fund for which the warrant was drawn against were noted.

We recommend the Village document and review warrants and the funds to be drawn against to ensure the appropriate fund is being drawn against.

Village Response:

The Village will follow the auditor’s recommendation.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

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

FINDING NUMBER 2008-014

Payroll Procedures – Significant Deficiency

In 2008 and 2007, timesheets were not always signed by a supervisor prior to payment. Failure to review and authorize timesheets could lead to errors and discrepancies in hours compensated.

We recommend the Council develop and adopt appropriate procedures to ensure that all time sheets are properly reviewed and authorized.

Village Response:

The Village will follow the auditor’s recommendation.

FINDING NUMBER 2008-015

Misclassification of Receipts, Disbursements, and Debt Payments – Significant Deficiency

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditor during a financial statements audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2008 and 2007, the Village erroneously posted receipts, disbursements, and debt payments. This required reclassifications to properly present the activity of the Village for both years.

We recommend the Village implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Village Response:

The Village will follow the auditor’s recommendation.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

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

FINDING NUMBER 2008-016

Monitoring Financial Reports and Budget – Significant Deficiency

For each regular meeting, the Clerk presents the council with detailed budget and actual financial statements, lists of investments, cash balances, and reconciliation reports. However, there is no documentation that council reviews the aforementioned information and makes appropriate inquiries to help determine the continued integrity of financial information.

The lack of proper reviews of reports generated from the accounting system could allow for errors or irregularities occurring without detection in the normal course of business on a timely basis.

Village Council should maintain documentation to support the review and approval of financial reports and could do so by a notation in the minute record or initialing documents reviewed. Also Council should investigate any failures to meet reporting requirements and/or unusual delays in obtaining financial information or providing financial reports.

Village Response:

The Village will follow the auditor’s recommendation.

FINDING NUMBER 2008-017

Income Tax Ledger – Significant Deficiency

The Village is not timely recording revenues into the tax system, or into the UAN financial system.

Income tax receipts should be posted timely into both the tax system and into the UAN financial system. Timely posting of receipts better allows the Village to keep track of income tax revenues received and allows for tracking of delinquent accounts and non-filers.

Village Response:

The Village will follow the auditor’s recommendation.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

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

FINDING NUMBER 2008-018

Manual Checks – Significant Deficiency

All financial information concerning the transactions of the Village should be input to the UAN system.

During testing, it was noted that some disbursement checks were printed from the UAN system while others were handwritten by the Clerk/Treasurer.

In order for a check to be printed from the UAN system, the information must first be posted to the system. By handwriting some checks, the Village is at risk for not all information being recorded to the UAN system

We recommend the Village develop procedures to assure that all issued checks are consistently printed from the UAN system.

Village Response:

The Village has requested re-instatement into the UAN system.

FINDING NUMBER 2008-019

Income Tax Policy – Significant Deficiency

A written policy does not exist concerning procedures for the collection, or writing-off, of unpaid income tax accounts, which has resulted in a significant number of income tax accounts that have been uncollected for a number of years and has caused a loss of revenue for the village.

A written policy should be established to outline the procedures to be followed for the collection and/or writing-off of unpaid income tax accounts.

Village Response:

The Village will follow the auditor's recommendation.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

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

FINDING NUMBER 2008-020

Noncompliance Citation – Ohio Rev. Code Section 149.351 – Material Weakness

Ohio Rev Code Section 149.351 states all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Section 149.41. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The Village could not present for audit all monthly reports and records from the utility billing system for 2008 and 2007.

The Village also could not present supporting documentation (i.e. invoices, canceled checks, purchase orders) for several expenditures tested.

The Village should print and maintain all relevant reports and supporting documentation for all Village business.

Village Response:

Verified current addresses with meter reading list to ensure all households are included in the utility system. Implemented “Water/Sewer Adjustment Request” forms for Council review and approval. Records will be kept by month/by year. Council will review new water and sewer policies at the October meeting. Implemented payment method procedures for utility deposits.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

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

FINDING NUMBER 2008-021

Income Tax Revenues – Material Weakness

During the first nine months of 2005, the Village utilized an income tax software program which was not maintained up-to-date. The reports generated from the system were incomplete and at times inaccurate.

In response to auditor concerns, the Village implemented a tax data base system utilizing Access in late 2005. However, income tax receipts showed large variances between client financial statements and income tax revenue ledgers, (\$24,561 in 2008 and \$6,909 in 2007) and no supporting documentation or analytical information was provided.

The absence of a system to show complete, accurate and timely transactions taking place through the income tax collection process could allow for errors or irregularities occurring without detection in the normal course of business on a timely basis.

A system should be devised for tracking income tax transactions which should include:

- a) A master file of all potential taxpayers and a method to assure that additions to and deletions from this listing are posted to listings on a timely basis, (Utility accounts and new hookups could be used as a means to assure that completeness of the master file.)
- b) A listing of additions and deletions complete with dates should be maintained,
- c) A record of each taxpayer for the given year showing the payment of taxes, taxes owed, dates of payments, penalties and any other information necessary to assess the completeness, accuracy, and timeliness of tax receipts, and
- d) Daily, weekly or other subsidiary receipt ledgers designed to act as a control to identify receipts by taxpayer (amount, date, penalty, if necessary) and any other information necessary to accurately track receipts. These subsidiary records should then be used as a basis for posting to the master file of all taxpayers.

Village Response:

Council to review current income tax revenues to establish an effective internal system or to consider outsourcing through R.I.T.A.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

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

FINDING NUMBER 2008-022

Utility Revenues – Material Weakness

The Village utilizes a software program to produce the customer billing reports and payments are recorded, when received. Detailed reports are to be printed daily and reconciled to the UAN (Uniform Accounting Network) register report. Several reconciling reports for the years 2008 and 2007 could not be produced for audit and several that were provided were not adequately reconciled, as noted by the Clerk.

Additionally, utility receipts showed large variances between client financial statements and utility revenue ledgers, (\$28,441 in 2008 and \$15,485 in 2007), and customer billing record adjustments could not be adequately explained (\$127,816 in 2008 and \$49,038 in 2007), no supporting documentation or analytical information was provided.

Not adequately utilizing the system and maintaining appropriate reconciliations between the Utility system and the UAN accounting system could allow for errors or irregularities occurring without detection in the normal course of business on a timely basis and could result in misstatements of financial statements.

We recommend reconciliations between the utility system and UAN be completed daily and any variances be reviewed. All reports and supporting documentation should be maintained.

Village Response:

The Village has requested re-instatement into the UAN system.

FINDING NUMBER 2008-023

Payroll Records and Reports – Material Weakness

Internal Revenue Service (IRS)

IRS Reports #941, Employer's Quarterly Tax Returns, were not always completed accurately during 2008. As a result, approximately \$13,047 in salary and wages were unreported during the audit period. Incorrect completion of payroll reports could cause errors in computing tax liability.

We recommend the Village file 941's accurately, based on wages earned per quarter. Wages submitted should be reconciled with payroll expenses recorded on the Village financial records. Annual reconciliation of wages reported on the 941's to W-3 reported wages and to the Village financial records should also be completed to help assure accurate payroll reporting and financial statements.

Ohio Public Employees Retirement System (OPERS)

For the year ended 2008, the Village failed to make all required payments to the Ohio Public Employees System. The deficit totaled \$3,228.

Fiscal officers are required by law to withhold contributions for all employees who are subject to compulsory membership and for those employees for who membership is optional who have chosen to become contributors.

**VILLAGE OF MIDDLE POINT
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**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

Payroll Records and Reports – Material Weakness (Continued)

Employee contributions withheld and employer contributions must be sent to OPERS with the proper reports. Employers can remit contributions by check or electronic funds transfer. Reporting can be done through paper reports or online through ECS. Failure to send contributions and reports on a timely basis result in assessments of penalties and interest. Accurate reporting is essential for employees to receive the proper service credit and to ensure the proper employer contributions have been received.

We recommend the Village accurately report credit hours and submit timely employee and employer contributions to avoid late fees, penalties, and interest payments. The Village should reconcile the OPERS amounts withheld and employer matching amounts with amounts paid. Supporting documentation should be kept with all payments made.

Bureau of Workers Compensation Records

The Village failed to provide the Bureau of Worker’s Compensation reports for both 2008 and 2007 for auditing purposes. Failure to submit accurate, timely information to the Bureau of Worker’s Compensation could result in penalties and fines.

We recommend the Village file accurate, timely reports to the Bureau, based on payroll expenditures and proper job classifications.

Village Response:

BWC reports have been completed for 2007, 2008 and 2009. Village is current on OPERS submissions. State tax reconciled for 2009.

FINDING NUMBER 2008-024

Lack of Segregation – Material Weakness

The Clerk handles all financial record-keeping, including posting receipts and making disbursements. Checks currently require only one signature.

To reduce the risk of potential errors and fraud, we recommend the Village adopt a policy requiring a minimum of two signatures on all checks written over \$500. We also recommend the second signature be an individual that serves on the Village Council.

Village Response:

The Village will follow the auditor’s recommendation.

**VILLAGE OF MIDDLE POINT
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**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-025

Lack of oversight of Village Clerk – Material Weakness

The Clerk handles all financial record-keeping, including receipting and posting. The weakness of this system is that it may allow for diversion of funds through possible alterations of source documents. Also, bookkeeping errors may occur without detection in a timely manner.

To enhance accountability and to strengthen internal accounting controls, Village Council should periodically review the records, (i.e. reconciliations, cash journals, bank statements, etc.) to determine the accuracy and to verify that proper procedures were followed by the clerk. We recommend these periodic reviews be noted in the minutes, and the documents reviewed and initialed by the reviewer.

Village Response:

The Village will follow the auditor’s recommendation.

FINDING NUMBER 2008-026

Noncompliance Citation – Ohio Rev. Code Section 149.43 (B) (1) – Material Weakness

Ohio Rev. Code Section 149.43 (B) (1) states all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection.

During testing, several documents could not be provided for 2008 and 2007 for inspection.

We recommend the Village promptly prepare public records and make them available to any member of the general public at all reasonable times during regular business hours for inspection.

Village Response:

Minutes for 2009 have been located and are available for public viewing. Prior years are still being researched and complied. Approximately 70% complete.

**VILLAGE OF MIDDLE POINT
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**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-027

Reconciliations – Material Weakness

Monthly reconciliations were not performed accurately during the audit period. The Village's inability to get the book's in balance with the bank resulted due to inaccuracies in the cashbook, ledgers, journals and unapproved adjustments made by the Clerk to the accounting system in an attempt to reconcile the Village's books with the bank. Failure to perform accurate monthly reconciliations could lead to unauthorized or inaccurate transactions occurring and going undetected.

Additionally, financial information is not provided to Village Council by the Clerk/Treasurer. The lack of effective monitoring by Village Council also could lead to unauthorized or inaccurate transactions occurring and going undetected.

We recommend that monthly reconciliations be performed accurately and in a timely manner. Monthly reconciliations and monthly financial reports should be provided to Village Council by the Clerk at each regular meeting to facilitate effective monitoring of Village financial activity. Village Council's review of monthly reconciliations and financial reports should be documented in the minutes.

Village Response:

The Village will follow the auditor's recommendation.

**VILLAGE OF MIDDLE POINT
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**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-028

Inadequate accounting system – Material Weakness

Ohio Administrative Code Section 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, document compliance with legal and contractual requirements and prepare financial statements required by Ohio Administrative Code 117-2-03. Per Ohio Administrative Code 117-2-02(D), accounting records that help achieve these objectives should include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate fund accounts for each type of receipt of each fund.
3. Appropriations ledger, which may assemble and classify disbursements into separate accounts for, at minimum, each account listed in the appropriation resolution.

During the audit period, the Village Clerk maintained a manual cash journal and a cash journal from the UAN system and both were not accurately maintained. None of the cash journals maintained by the Village reconciled to other ledgers maintained separately by the Village such as the utilities ledger and income tax ledger. The Village also failed to maintain an appropriate receipts ledger or appropriations ledger. As a result, receipt and disbursement transactions could not be properly classified by source (receipt) or program (disbursement). Further, budgetary control was significantly weakened by the inability to monitor budgeted versus actual transactions.

Ohio Administrative Code Section 117-9-01 provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example).

Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

We recommend that an appropriate accounting system be maintained by the Village as required by Ohio Administrative Code Section 117-2-02(A).

Village Response:

The Village will follow the auditor's recommendation.

Village of Middle Point
Van Wert County
Schedule of Prior Audit Findings
For the Fiscal Years Ended 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; Explain:
2006-001	Ohio Rev. Code Section 5705.30	No	Reissued as finding 2008-002
2006-002	Ohio Rev. Code Section 5705.36 (A) (1)	No	Reissued as finding 2008-004
2006-003	Ohio Rev. Code Section 5705.39	No	Reissued as finding 2008-007
2006-004	Ohio Rev. Code Section 5705.40	No	Reissued as finding 2008-008
2006-005	Ohio Rev. Code Section 5705.41(B)	No	Reissued as finding 2008-009
2006-006	Ohio Rev. Code Section 5705.41(D)	No	Reissued as finding 2008-010
2006-007	Payroll Procedures – Timesheets	No	Reissued as finding 2008-014
2006-008	Misclassification or Receipts	No	Reissued as finding 2008-015
2006-009	Financial Reports	No	Reissued as finding 2008-016
2006-010	Income Tax Ledger	No	Reissued as finding 2008-017
2006-011	Income Tax Policy	No	Reissued as finding 2008-019
2006-012	Ohio Rev. Code Section 149.351	No	Reissued as finding 2008-020

Village of Middle Point
Van Wert County
Schedule of Prior Audit Findings
For the Fiscal Years Ended 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; Explain:
2006-013	Income Tax Revenues	No	Reissued as finding 2008-021
2006-014	Utility Revenues	No	Reissued as finding 2008-022
2006-016	Segregation of Duties	No	Reissued as finding 2008-024



Mary Taylor, CPA
Auditor of State

VILLAGE OF MIDDLE POINT

VAN WERT 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
JANUARY 26, 2010**