

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Middleport
659 Pearl Street
Middleport, Ohio 45760

We have reviewed the *Independent Accountants' Report* of the Village of Middleport, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. 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 Middleport is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 9, 2012

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**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

June 27, 2012

Village of Middleport
Meigs County
659 Pearl Street
Middleport, Ohio 45760

To the Village Council:

We have audited the accompanying financial statements of the **Village of Middleport**, Meigs County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 State permits, but does not require governments 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, 2011 and 2010 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, 2011 and 2010 or its changes in financial position or cash flows, where applicable 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 as of December 31, 2011 and 2010 of the Village of Middleport, Meigs County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Middleport adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, 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 MIDDLEPORT
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 97,340	\$ 52,647	\$ -	\$ -	\$ 149,987
Municipal Income Taxes	240,098	-	-	-	240,098
Intergovernmental	112,507	166,469	-	-	278,976
Charges for Services	55,325	192,801	-	-	248,126
Fines, Licenses and Permits	94,210	2,201	-	-	96,411
Earnings on Investments	1,370	53	-	1,316	2,739
Miscellaneous	11,078	1,929	1,400	-	14,407
	<u>611,928</u>	<u>416,100</u>	<u>1,400</u>	<u>1,316</u>	<u>1,030,744</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	418,569	16,152	-	-	434,721
Leisure Time Activities	-	49,713	-	-	49,713
Basic Utility Services	-	170,716	-	-	170,716
Transportation	-	113,225	-	-	113,225
General Government	151,479	-	-	-	151,479
Capital Outlay	-	-	506,459	-	506,459
Debt Service:					
Principal Retirement	4,972	48,746	-	-	53,718
Interest and Fiscal Charges	669	8,695	-	-	9,364
	<u>575,689</u>	<u>407,247</u>	<u>506,459</u>	<u>-</u>	<u>1,489,395</u>
Total Cash Disbursements					
Total Cash Receipts Over (Under) Disbursements	<u>36,239</u>	<u>8,853</u>	<u>(505,059)</u>	<u>1,316</u>	<u>(458,651)</u>
Other Financing Receipts (Disbursements):					
Sale of Bonds	-	-	530,000	-	530,000
Transfers In	500	-	-	-	500
Transfers Out	-	(500)	-	-	(500)
Other Financing Uses	(142)	-	-	-	(142)
	<u>358</u>	<u>(500)</u>	<u>530,000</u>	<u>-</u>	<u>529,858</u>
Total Other Financing Receipts (Disbursements)					
Net Change in Fund Cash Balances	36,597	8,353	24,941	1,316	71,207
Fund Cash Balances, January 1	<u>21,216</u>	<u>148,526</u>	<u>-</u>	<u>88,230</u>	<u>257,972</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	87,720	87,720
Restricted	-	58,094	-	1,826	59,920
Committed	-	98,785	24,941	-	123,726
Unassigned	57,813	-	-	-	57,813
	<u>57,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,813</u>
Fund Cash Balances, December 31	<u>\$ 57,813</u>	<u>\$ 156,879</u>	<u>\$ 24,941</u>	<u>\$ 89,546</u>	<u>\$ 329,179</u>

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 832,439	\$ -	\$ 832,439
Fines, Licenses and Permits	-	83,037	83,037
Other Operating Receipts	1,345	-	1,345
Total Operating Cash Receipts	<u>833,784</u>	<u>83,037</u>	<u>916,821</u>
Operating Cash Disbursements:			
Personal Services	333,279	-	333,279
Employee Fringe Benefits	164,354	-	164,354
Contractual Services	110,384	-	110,384
Supplies and Materials	120,515	-	120,515
Other	8,625	86,002	94,627
Total Operating Cash Disbursements	<u>737,157</u>	<u>86,002</u>	<u>823,159</u>
Operating Income (Loss)	<u>96,627</u>	<u>(2,965)</u>	<u>93,662</u>
Non-Operating Cash Receipts (Disbursements):			
Special Assessments	153,569	-	153,569
Intergovernmental	171,883	-	171,883
Debt Proceeds	254,251	-	254,251
Miscellaneous	1,150	-	1,150
Capital Outlay	(324,061)	-	(324,061)
Principal Retirement	(325,318)	-	(325,318)
Interest and Fiscal Charges	(19,566)	-	(19,566)
Total Non-Operating Cash Receipts (Disbursements)	<u>(88,092)</u>	<u>-</u>	<u>(88,092)</u>
Net Change in Fund Cash Balances	8,535	(2,965)	5,570
Fund Cash Balances, January 1	<u>518,948</u>	<u>6,502</u>	<u>525,450</u>
Fund Cash Balances, December 31	<u>\$ 527,483</u>	<u>\$ 3,537</u>	<u>\$ 531,020</u>

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Local Taxes	\$ 91,671	\$ 51,767	\$ -	\$ 143,438
Municipal Income Taxes	196,421	-	-	196,421
Intergovernmental	101,861	127,542	-	229,403
Charges for Services	36,732	195,509	-	232,241
Fines, Licenses and Permits	111,943	2,347	-	114,290
Earnings on Investments	3,370	159	181	3,710
Miscellaneous	10,780	702	-	11,482
	<u>552,778</u>	<u>378,026</u>	<u>181</u>	<u>930,985</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	454,851	19,053	-	473,904
Community Environment	-	3,000	-	3,000
Basic Utility Services	-	155,845	-	155,845
Transportation	-	108,956	-	108,956
General Government	214,157	-	-	214,157
Debt Service:				
Principal Retirement	4,779	46,608	-	51,387
Interest and Fiscal Charges	862	11,079	-	11,941
	<u>674,649</u>	<u>344,541</u>	<u>-</u>	<u>1,019,190</u>
Total Cash Disbursements				
Net Change in Fund Cash Balances	(121,871)	33,485	181	(88,205)
Fund Cash Balances, January 1 (Restated-See Note 10)	143,087	115,041	88,049	346,177
Fund Cash Balances, December 31	<u>\$ 21,216</u>	<u>\$ 148,526</u>	<u>\$ 88,230</u>	<u>\$ 257,972</u>

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 791,226	\$ -	\$ 791,226
Fines, Licenses and Permits	-	108,312	108,312
Other Operating Receipts	3,112	-	3,112
Total Operating Cash Receipts	<u>794,338</u>	<u>108,312</u>	<u>902,650</u>
Operating Cash Disbursements:			
Personal Services	313,629	-	313,629
Employee Fringe Benefits	182,199	-	182,199
Contractual Services	115,124	-	115,124
Supplies and Materials	174,837	-	174,837
Other	8,426	102,777	111,203
Total Operating Cash Disbursements	<u>794,215</u>	<u>102,777</u>	<u>896,992</u>
Operating Income (Loss)	<u>123</u>	<u>5,535</u>	<u>5,658</u>
Non-Operating Cash Receipts (Disbursements):			
Debt Proceeds	3,001,181	-	3,001,181
Intergovernmental	2,492,431	-	2,492,431
Special Assessments	130,065	-	130,065
Miscellaneous	1,950	-	1,950
Capital Outlay	(3,004,681)	-	(3,004,681)
Principal Retirement	(2,574,300)	-	(2,574,300)
Interest and Fiscal Charges	(18,539)	-	(18,539)
Total Non-Operating Cash Receipts (Disbursements)	<u>28,107</u>	<u>-</u>	<u>28,107</u>
Net Change in Fund Cash Balances	28,230	5,535	33,765
Fund Cash Balances, January 1 (Restated-See Note 10)	<u>490,718</u>	<u>967</u>	<u>491,685</u>
Fund Cash Balances, December 31	<u>\$ 518,948</u>	<u>\$ 6,502</u>	<u>\$ 525,450</u>

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Middleport, Meigs County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates General Fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

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. Deposits and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 (other than from private-purpose 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.

Refuse Fund – This fund accounts for the receipts and disbursements related to trash collection and disposal in the Village. The Village contracts with a private vendor for this service.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Projects Funds

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

Village Hall Project Fund – This fund receives proceeds of general obligation bonds. The proceeds are being used to maintain the Village Hall.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant Permanent Fund:

Cemetery Bequest Fund – This fund receives the interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

5. Enterprise Funds

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

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

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

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for the receipt and distribution of Mayor's Court fines and forfeitures.

E. Budgetary Process

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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. The 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 closed and need to be reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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.

2. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$ 772,479	\$ 695,702
Certificates of deposit	87,720	87,720
Total deposits	\$ 860,199	\$ 783,422

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 601,383	\$ 612,428	\$ 11,045
Special Revenue	422,225	416,100	(6,125)
Capital Projects	531,400	531,400	-
Permanent	-	1,316	1,316
Enterprise	1,194,165	1,414,637	220,472
Total	\$ 2,749,173	\$ 2,975,881	\$ 226,708

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 622,599	\$ 575,831	\$ 46,768
Special Revenue	570,751	407,747	163,004
Capital Projects	531,400	506,459	24,941
Enterprise	1,713,113	1,406,102	307,011
Total	\$ 3,437,863	\$ 2,896,139	\$ 541,724

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 599,180	\$ 552,778	\$ (46,402)
Special Revenue	372,155	378,026	5,871
Permanent	-	181	181
Enterprise	935,095	6,419,965	5,484,870
Total	\$ 1,906,430	\$ 7,350,950	\$ 5,444,520

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 742,267	\$ 674,649	\$ 67,618
Special Revenue	487,196	344,541	142,655
Enterprise	1,425,813	6,391,735	(4,965,922)
Total	\$ 2,655,276	\$ 7,410,925	\$ (4,755,649)

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. LOCAL INCOME TAXES

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

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

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% respectively, of participants' gross salaries. The Village had paid all contributions required through December 31, 2011.

7. RISK MANAGEMENT

The Village has obtained commercial insurance coverage for the following risks:

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

8. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest
Water Mortgage Revenue Bond	\$ 57,777	5.25%
Building General Obligation Bond	530,000	4.00%
OWDA #1749	29,820	8.09%
OWDA #3429	249,846	2.00%
OWDA #5307	405,824	1.00%
OWDA #5247	597,502	0.00%
OPWC - Rutland Street	155,610	3.00%
Sun Trust Bank - Fire Truck	160,227	4.32%
Peoples Bank - 2009 Cruiser	13,304	3.89%
Peoples Bank - Ford Truck	14,117	4.00%
Peoples Bank - Garage Annex	12,922	4.00%
Total	\$ 2,226,949	

The Water Mortgage Revenue Bonds were issued in 1967 for waterworks facilities improvements. The trust agreement required the Village to establish an enterprise debt service fund to be maintained by a custodian bank. The Village had established this fund. Due to an accumulated excess in the debt service fund, no debt service payments were required of the Village in 2011.

The Building General Obligation Bond was issued in 2011 for the purpose of paying part of the cost of renovating a building for Village purposes. The full faith and credit of the Village has been pledged to repay this debt. An amortization schedule will be issued following the final advance on the bonds.

The Ohio Water Development Authority (OWDA) loan #1749 relates to a water construction project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$8,371, including interest, over 25 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA loan #3429 relates to a sewer lift station project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$13,249, including interest, over 21 years. Sewer receipts secure the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA loan #5307 relates to a sewer long term control plan and hydraulic modeling project that was mandated by the Ohio Environmental Protection Agency. This loan has not been fully dispersed as of December 31, 2011, and no amortization schedule is available for its repayment.

The OWDA loan #5247 relates to a water well abandonment and distribution improvement project that was mandated by the Ohio Environmental Protection Agency. This project is partially funded through Federal ARRA grant funding projects, with \$2,800,000 in principal forgiven as of December 31, 2011. This loan has not been fully dispersed as of December 31, 2011, and no amortization schedule is available for its repayment.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

8. DEBT (Continued)

The OWDA loan #5968 relates to a sewer system improvement project that was mandated by the Ohio Environmental Protection Agency. This project is partially funded through Federal ARRA grant projects, with \$171,883 in principal forgiven as of December 31, 2011. This loan has not been fully dispersed and has no principal balance due as of December 31, 2011, and no amortization schedule is available for its repayment.

The Ohio Public Works Commission (OPWC) Rutland Street loan relates to the above-mentioned sewer lift station project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$8,357, including interest, over 20 years. Sewer receipts secure the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Peoples Bank Fire Truck loan was repaid in 2011. The prior audit balance of \$40,269 was overstated and should have been \$40,199. The Sun Trust Bank Fire Truck loan will be repaid in semi-annual installments of \$17,986, including interest, through October 2016. The Peoples Bank 2009 Police Cruiser loan will be repaid in semiannual installments of \$2,821, including interest, through 2014. The Peoples Bank Ford Truck loan will be repaid in monthly installments of \$553, including interest, through 2014. The Peoples Bank Garage Annex loan will be repaid in monthly installments of \$461, including interest, through 2014.

The following is a summary of the Village's future annual debt service requirements:

<u>Peoples Bank – 2009 Cruiser</u>			<u>Peoples Bank – Ford Truck</u>			<u>Peoples Bank – Garage Annex</u>		
Year	Principal	Interest	Year	Principal	Interest	Year	Principal	Interest
2012	\$ 5,174	\$ 468	2012	\$ 6,102	\$ 538	2012	\$ 5,085	\$ 448
2013	5,377	264	2013	6,350	290	2013	5,292	241
2014	<u>2,753</u>	<u>54</u>	2014	<u>1,665</u>	<u>50</u>	2014	<u>2,545</u>	<u>42</u>
Total	<u>\$13,304</u>	<u>\$ 786</u>	Total	<u>\$ 14,117</u>	<u>\$ 878</u>	Total	<u>\$ 12,922</u>	<u>\$ 731</u>

<u>OWDA #3429</u>			<u>OPWC</u>			<u>OWDA #1749</u>		
Year	Principal	Interest	Year	Principal	Interest	Year	Principal	Interest
2012	\$ 21,610	\$ 4,889	2012	\$ 12,136	\$ 4,278	2012	\$ 14,330	\$ 2,412
2013	22,044	4,455	2013	12,502	4,211	2013	<u>15,490</u>	<u>1,254</u>
2014	22,487	4,012	2014	12,880	3,833	Total	<u>\$ 29,820</u>	<u>\$ 3,666</u>
2015	22,939	3,560	2015	13,270	3,444			
2016	23,400	3,099	20	13,671	3,043			
2017-21	124,247	8,247	2017-21	74,806	2,162			
2020-22	<u>13,118</u>	<u>131</u>	2022	<u>16,345</u>	<u>369</u>			
Total	<u>\$249,846</u>	<u>\$28,393</u>	Total	<u>\$155,610</u>	<u>\$21,340</u>			

<u>Water Revenue Bond</u>			<u>Sun Trust - Fire Truck</u>		
Year	Principal	Interest	Year	Principal	Interest
2012	\$ 28,889	\$ 3,033	2012	\$ 29,367	\$ 6,606
2013	<u>28,888</u>	<u>1,517</u>	2013	30,649	5,324
Total	<u>\$ 57,777</u>	<u>\$ 4,550</u>	2014	31,987	3,986
			2015	33,383	2,590
			2016	<u>34,841</u>	<u>1,133</u>
				<u>\$160,227</u>	<u>\$19,639</u>

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. PRIOR PERIOD RESTATEMENT

The Village posted the following adjustments in 2010:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Enterprise</u>
Balance as of December 31, 2009	\$ 143,416	\$ 120,838	\$ 154,821	\$ 87,720	\$ 335,897
Auditor Adjustments	(329)	(5,797)	(154,821)	329	154,821
Adjusted Fund Balance	<u>\$ 143,087</u>	<u>\$ 115,041</u>	<u>\$ -</u>	<u>\$ 88,049</u>	<u>\$ 490,718</u>

The Village's General and Permanent Funds were restated to reflect interest earned on the cemetery bequest funds within the Permanent Fund instead of the General Fund. The Village's Law Enforcement Trust Special Revenue Fund was restated to properly account for activity being brought onto the Village's financial statements in 2009. The Village's Capital Projects and Enterprise Funds were restated to reflect the Water Improvement and Sewer Improvement beginning fund balances within the Enterprise Funds instead of the Capital Projects Funds.

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

June 27, 2012

Village of Middleport
Meigs County
629 Pearl Street
Middleport, Ohio 45760

To the Village Council:

We have audited the financial statements of the **Village of Middleport**, Meigs County Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 27, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of audit findings to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 27, 2012.

The Village's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Village's response and, accordingly we express no opinion on it.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2011 and 2010, several receipts and expenditures were not posted to accurate classifications based on the source of the receipt or disbursement. The following posting errors were noted:

- Debt proceeds recorded as Other Financing Sources or Charges for Services and Contractual Services instead of Debt Proceeds and Capital Outlay in the Water Operating and Sewer Operating Funds
- Water Improvement and Sewer Improvement Fund activity recorded as Capital Projects Fund Type instead of Enterprise Fund Type
- Principal loan forgiveness Federal stimulus monies not recorded as Intergovernmental receipts and Principal Retirement expenditures in the Water Operating and Sewer Operating Funds
- Portions of debt payments recorded as Interest and Other Fiscal Charges instead of Principal Retirement in the Water Operating and Sewer Operating Funds
- Rent receipts recorded as Charges for Services instead of Miscellaneous in the General Fund
- Motor vehicle license tax receipts recorded as Property and Local Taxes instead of Intergovernmental receipts in the Street Construction, Maintenance, and Repair Fund
- Restatement of prior period fund balances to reflect cemetery endowment interest in the Cemetery Endowment Permanent Fund, Water Improvement and Sewer Improvement Fund activity as Enterprise Fund Type instead of Capital Project Fund Type and properly account for Law Enforcement Trust Special Revenue Fund activity.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all reclassifications and adjustments. Village management agrees with the adjustments, and all adjustments have been made to the Village's accounting system.

We recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and expenditures.

Management's Response – The Village began recording motor vehicle license tax receipts under the proper intergovernmental account code as of April 2010. The Village has already moved the Water Improvement and Sewer Improvement Funds to Enterprise Fund Type codes. With regard to rent receipts, the Village will begin using a miscellaneous account code immediately.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Posting Receipts and Expenditures	No	Repeated as Finding 2011-001
2009-002	Law Enforcement Trust Fund Receipt and Disbursement Activity	Yes	N/A

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Dave Yost • Auditor of State

VILLAGE OF MIDDLEPORT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 21, 2012