

VILLAGE OF MIDVALE
AUDIT REPORT
JANUARY 1, 2018 - DECEMBER 31, 2019

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Members of Council
Village of Midvale
3111 Barnhill Road
Midvale, Ohio 44653

We have reviewed the *Independent Auditor's Report* of the Village of Midvale, Tuscarawas County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2018 through December 31, 2019. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery

Ohio Admin. Code § 117-2-01(D)(4) requires, in part, that entities plan for adequate segregation of duties or compensating controls. During the Period May 1, 2016 to January 30, 2017, the control structure for the Village's utility collections lacked segregation of duties. The Village's Utility Clerk, Stephanie Ajanel, was responsible for collecting utility payments, posting payments to customer accounts, making deposits with the fiscal officer, and making adjustments to customer accounts, all without any review or checks and balances.

During the Period, cash for nine payments was collected by Ms. Ajanel and credited to the customer account; however, the payment was not deposited. Additionally, cash for eight payments was collected by Ms. Ajanel and credited to customer accounts, but subsequently voided on the account and not deposited into the Village's bank account. In addition, Ms. Ajanel made adjustments to 48 customer accounts on January 30, 2017 for which documentation supporting the reason for the adjustment was not maintained. It was determined payments had been previously credited to individual accounts, indicating monies were collected by Ms. Ajanel. Total cash not deposited by Ms. Ajanel during the period was \$2,140.

On December 9, 2019, Ms. Ajanel was indicted on one count of Theft in Office, a felony of the fourth degree, one count of Tampering with Records, a felony of the fifth degree, and one count of tampering with evidence, a felony of the third degree, in Tuscarawas County Common Pleas Court Case No. 2019CR120503.

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Village of Midvale
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Finding for Recovery (continued)

On April 15, 2020, Ms. Ajanel entered a plea of No Contest to one count of Theft in Office, a felony of the fourth degree, and one count of Tampering with Records, a felony of the fifth degree. Judge O'Farrell sentenced Ms. Ajanel to one year supervised community control, 250 hours of community service, and ordered Ms. Ajanel to pay \$2,140 in restitution to the Village of Midvale.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Stephanie Ajanel for public property converted or misappropriated for totaling \$2,140, and in favor of the Village of Midvale's Water Operating Fund.

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 Midvale is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

August 12, 2020

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY
JANUARY 1, 2018 - DECEMBER 31, 2019**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Village of Midvale
Tuscarawas County
3111 Barnhill Road
Midvale, Ohio 44653

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Midvale, Tuscarawas County, as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Midvale as of December 31, 2019 and 2018, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and the related notes of Village of Midvale, Tuscarawas County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 to the 2019 financial statements, during 2020, the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 16, 2020, on our consideration of the Village of Midvale'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. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 16, 2020

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Governmental Fund Types | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| Cash Receipts: | | | |
| Property and Other Taxes | \$ 12,437 | \$ 36,915 | \$ 49,352 |
| Municipal Income Tax | 196,555 | - | 196,555 |
| Intergovernmental | 38,126 | 71,745 | 109,871 |
| Charges for Services | 21,439 | 189 | 21,628 |
| Fines, Licenses, Permits | 5,577 | - | 5,577 |
| Earnings on Investments | 12 | - | 12 |
| Miscellaneous | 50,485 | 12,500 | 62,985 |
| Total Cash Receipts | 324,631 | 121,349 | 445,980 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 180,067 | - | 180,067 |
| Public Health Services | 299 | - | 299 |
| Leisure Time Activities | 46,391 | - | 46,391 |
| Basic Utility Services | 3,851 | 6,904 | 10,755 |
| Transportation | - | 93,270 | 93,270 |
| General Government | 111,998 | - | 111,998 |
| Capital Outlay | 34,511 | - | 34,511 |
| Debt Service: | | | |
| Principal Retirement | 5,060 | - | 5,060 |
| Total Cash Disbursements | 382,177 | 100,174 | 482,351 |
| Excess of Receipts Over/(Under) Disbursements | (57,546) | 21,175 | (36,371) |
| Other Cash Financing Sources (Uses) | | | |
| Sale of Capital Assets | 2,500 | - | 2,500 |
| Other Financing Sources | 231 | - | 231 |
| Other Financing Uses | (520) | - | (520) |
| Total Other Cash Financing Sources (Uses) | 2,211 | - | 2,211 |
| Special Item | 24 | - | 24 |
| Net Change in Fund Cash Balance | (55,311) | 21,175 | (34,136) |
| Fund Cash Balances, January 1, Restated | 109,147 | 48,917 | 158,064 |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 70,092 | 70,092 |
| Assigned | 1,882 | - | 1,882 |
| Unassigned (Deficit) | 51,954 | - | 51,954 |
| Fund Cash Balances, December 31 | \$ 53,836 | \$ 70,092 | \$ 123,928 |

See notes to financial statements.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2019**

| | Enterprise |
|---|----------------|
| Operating Cash Receipts: | |
| Charges for Services | \$ 300,706 |
| Total Operating Cash Receipts: | 300,706 |
| Operating Cash Disbursements: | |
| Personal Services | 69,983 |
| Fringe Benefits | 15,595 |
| Contractual Services | 148,126 |
| Supplies and Materials | 33,382 |
| Other | 5,656 |
| Total Operating Cash Disbursements | 272,742 |
| Operating Income | 27,964 |
| Non-Operating Receipts/(Disbursements) | |
| Intergovernmental | 122 |
| Earnings on Investments | 26 |
| Principal Retirement | (15,429) |
| Interest and Other Fiscal Charges | (3,317) |
| Total Non-Operating Receipts/(Disbursements) | (18,598) |
| Net Change in Cash Fund Balance | 9,366 |
| Fund Cash Balances, January 1 | 300,660 |
| Fund Cash Balances, December 31 | \$ 310,026 |

See notes to financial statements.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Midvale, Tuscarawas County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, including water utilities, street maintenance, park operations and police and fire protection services.

The Village participates in one jointly governed organization. Note 11 to the financial statements provides additional information for these entities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds

General Fund

The General fund is the operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Parks and Recreation Fund – This fund receives charges for services to operate the Village park.

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

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. 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 include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

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 in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

The Village's accounting basis includes investment as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Property, Plant, and Equipment

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave

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

Fund Balance

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:

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

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.

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless 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.

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 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 ordinance, or by State Statute.

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

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (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 classification could be used.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2019 is as follows:

| 2019 Budgeted vs. Actual Receipts | | | |
|--|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 347,872 | \$ 327,386 | \$ (20,486) |
| Special Revenue | 119,569 | 121,349 | 1,780 |
| Enterprise | 264,595 | 300,854 | 36,259 |
| Total | \$ 732,036 | \$ 749,589 | \$ 17,553 |

| 2019 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 458,612 | \$ 384,579 | \$ 74,033 |
| Special Revenue | 163,764 | 100,174 | 63,590 |
| Enterprise | 508,820 | 291,488 | 217,332 |
| Total | \$ 1,131,196 | \$ 776,241 | \$ 354,955 |

Contrary to ORC 5705.41(D), the Village made expenditures without prior certification.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | |
|-----------------|------------|
| | 2019 |
| Demand Deposits | \$ 433,954 |
| Total Deposits | \$ 433,954 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays 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 by December 31. The second half payment is due the following June 20.

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0 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.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omission.

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2019, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. DEFINED BENEFIT PENSION PLAN (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants, in 2019, contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officer’s wages. The Village has paid all contributions required through December 31, 2019.

Social Security

Several Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

9. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019, OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

10. DEBT

Debt outstanding at December 31, 2019 was as follows:

| | 2019 | |
|---|------------|------|
| | Principal | % |
| Ohio Water Development Authority Loan #5656 | \$ 374,043 | 1.50 |
| Fire Marshall Revolving Loan | 53,135 | 0.00 |
| Total | \$ 427,178 | |

The Ohio Water Development Authority (OWDA) loan relates to the purchase of the Village of Roswell’s water system. The OWDA issued a loan for \$512,147 to the Village for this purchase. The Village will repay the loan in semi-annual installments. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. This will be repaid from the water fund.

The Fire Marshall loan was executed in August 2015 for the purchase of a 1993 Pierce pump truck. The loan will repaid in quarterly payments of \$1,265 over 15 years with no interest to the Ohio Department of Commerce. The pump truck will collateralize the loan.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

10. DEBT (Continued)

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

| Year Ending December 31 | OWDA #5656 | Fire Marshall |
|----------------------------|-------------------|------------------|
| 2020 | \$ 21,263 | \$ 5,060 |
| 2021 | 21,263 | 5,060 |
| 2022 | 21,263 | 5,060 |
| 2023 | 21,263 | 5,060 |
| 2024 | 21,263 | 5,060 |
| 2025-2029 | 106,315 | 25,300 |
| 2030-2034 | 106,315 | 2,535 |
| 2035-2039 | 106,315 | - |
| 2040-3044 | 10,631 | - |
| | <u>\$ 435,891</u> | <u>\$ 53,135</u> |

11. JOINTLY GOVERNED ORGANIZATION

Tuscarawas County Tax Incentive Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to Section 5705.62 of the Ohio Revised Code. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, 1 member from the county auditor's office and 8 members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this TCTIRC. The continued existence of the TCTIRC is not dependent on the Village's continued participation and no measurable equity interest exists.

During 2019, no monies were paid to the TCTIRC from the Village.

The Village does not retain an ongoing financial interest or an ongoing financial responsibility with the TCTIRC.

12. RESTATEMENT OF FUND BALANCE

Fund balances in the General Fund have been restated for the year beginning January 1, 2019 as voided checks were added back:

| | General |
|-----------------------------------|-------------------|
| Fund Balance at December 31, 2018 | \$ 106,975 |
| Adjustments | 2,172 |
| Fund Balance at January 1, 2019 | <u>\$ 109,147</u> |

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

13. SUBSEQUENT EVENTS

The United State and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Governmental Fund Types | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| Cash Receipts: | | | |
| Property and Other Taxes | \$ 13,750 | \$ 35,380 | \$ 49,130 |
| Municipal Income Tax | 209,890 | - | 209,890 |
| Intergovernmental | 27,644 | 55,636 | 83,280 |
| Charges for Services | 8,337 | 1,764 | 10,101 |
| Fines, Licenses, Permits | 2,521 | - | 2,521 |
| Earnings on Investments | 109 | - | 109 |
| Miscellaneous | 19,937 | 67 | 20,004 |
| Total Cash Receipts | 282,188 | 92,847 | 375,035 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 127,610 | - | 127,610 |
| Public Health Services | 308 | - | 308 |
| Leisure Time Activities | 20,480 | 1,545 | 22,025 |
| Basic Utility Services | 3,250 | 11,828 | 15,078 |
| Transportation | - | 135,703 | 135,703 |
| General Government | 115,892 | - | 115,892 |
| Debt Service: | | | |
| Principal Retirement | 5,060 | - | 5,060 |
| Total Cash Disbursements | 272,600 | 149,076 | 421,676 |
| Excess of Receipts Over/(Under) Disbursements | 9,588 | (56,229) | (46,641) |
| Other Cash Financing Sources (Uses) | | | |
| Transfers In | - | 1,469 | 1,469 |
| Transfers Out | (1,469) | - | (1,469) |
| Other Financing Sources | - | 84 | 84 |
| Other Financing Uses | (1,541) | - | (1,541) |
| Total Other Cash Financing Sources (Uses) | (3,010) | 1,553 | (1,457) |
| Special Item | 24 | - | 24 |
| Net Change in Fund Cash Balance | 6,602 | (54,676) | (48,074) |
| Fund Cash Balances, January 1, Restated | 100,373 | 103,593 | 203,966 |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 48,917 | 48,917 |
| Assigned | 485 | - | 485 |
| Unassigned (Deficit) | 106,490 | - | 106,490 |
| Fund Cash Balances, December 31 | \$ 106,975 | \$ 48,917 | \$ 155,892 |

See notes to financial statements.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2018**

| | Enterprise |
|---|------------|
| Operating Cash Receipts: | |
| Charges for Services | \$ 302,878 |
| Total Operating Cash Receipts: | 302,878 |
| Operating Cash Disbursements: | |
| Personal Services | 74,041 |
| Fringe Benefits | 18,518 |
| Contractual Services | 127,042 |
| Supplies and Materials | 77,409 |
| Other | 38,652 |
| Total Operating Cash Disbursements | 335,662 |
| Operating Income | (32,784) |
| Non-Operating Receipts/(Disbursements) | |
| Intergovernmental | 34,626 |
| Earnings on Investments | 7 |
| Principal Retirement | (22,823) |
| Interest and Other Fiscal Charges | (9,071) |
| Total Non-Operating Receipts/(Disbursements) | 2,739 |
| Net Change in Cash Fund Balance | (30,045) |
| Fund Cash Balances, January 1 | 330,705 |
| Fund Cash Balances, December 31 | \$ 300,660 |

See notes to financial statements.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Midvale, Tuscarawas County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, including water utilities, street maintenance, park operations and police and fire protection services.

The Village participates in one jointly governed organization. Note 11 to the financial statements provides additional information for these entities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds

General Fund

The General fund is the operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Parks and Recreation Fund – This fund receives charges for services to operate the Village park.

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

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. 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 include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

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 in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

The Village's accounting basis includes investment as assets. This basis does not record disbursement for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Property, Plant, and Equipment

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave

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

Fund Balance

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:

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

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.

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless 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.

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 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 ordinance, or by State Statute.

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

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (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 classification could be used.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2018 is as follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|--|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 265,815 | \$ 282,212 | \$ 16,397 |
| Special Revenue | 111,360 | 94,400 | (16,960) |
| Enterprise | 299,594 | 337,511 | 37,917 |
| Total | \$ 676,769 | \$ 714,123 | \$ 37,354 |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 365,477 | \$ 276,095 | \$ 89,382 |
| Special Revenue | 211,881 | 149,076 | 62,805 |
| Enterprise | 571,993 | 367,556 | 204,437 |
| Total | \$ 1,149,351 | \$ 792,727 | \$ 356,624 |

Contrary to ORC 5705.41(D), the Village made expenditures without prior certification.

Contrary to ORC 5705.39, the Village had funds where appropriations exceeded estimated resources.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | |
|-----------------|------------|
| | 2018 |
| Demand Deposits | \$ 456,552 |
| Total Deposits | \$ 456,552 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays 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 by December 31. The second half payment is due the following June 20.

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0 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.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omission.

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. DEFINED BENEFIT PENSION PLAN (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants, in 2018, contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officer’s wages. The Village has paid all contributions required through December 31, 2018.

Social Security

Several Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

9. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits and OP&F contributes 0.5 percent to fund these benefits.

10. DEBT

Debt outstanding at December 31, 2018 was as follows:

| | 2018 | |
|---|------------|------|
| | Principal | % |
| Ohio Water Development Authority Loan #5656 | \$ 389,472 | 1.50 |
| Fire Marshall Revolving Loan | 58,195 | 0.00 |
| Total | \$ 447,667 | |

The Ohio Water Development Authority (OWDA) loan relates to the purchase of the Village of Roswell’s water system. The OWDA issued a loan for \$512,147 to the Village for this purchase. The Village will repay the loan in semi-annual installments. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. This will be repaid from the water fund.

The Fire Marshall loan was executed in August 2015 for the purchase of a 1993 Pierce pump truck. The loan will repaid in quarterly payments of \$1,265 over 15 years with no interest to the Ohio Department of Commerce. The pump truck will collateralize the loan.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

10. DEBT (Continued)

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

| Year Ending December 31 | OWDA #5656 | Fire Marshall |
|----------------------------|-------------------|------------------|
| 2019 | \$ 21,263 | \$ 5,060 |
| 2020 | 21,263 | 5,060 |
| 2021 | 21,263 | 5,060 |
| 2022 | 21,263 | 5,060 |
| 2023 | 21,263 | 5,060 |
| 2024-2028 | 106,315 | 25,300 |
| 2029-2033 | 106,315 | 7,595 |
| 2034-2038 | 106,315 | - |
| 2039-3043 | 31,894 | - |
| | <u>\$ 457,154</u> | <u>\$ 58,195</u> |

11. JOINTLY GOVERNED ORGANIZATION

Tuscarawas County Tax Incentive Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to Section 5705.62 of the Ohio Revised Code. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, 1 member from the county auditor's office and 8 members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this TCTIRC. The continued existence of the TCTIRC is not dependent on the Village's continued participation and no measurable equity interest exists.

During 2018, no monies were paid to the TCTIRC from the Village.

The Village does not retain an ongoing financial interest or an ongoing financial responsibility with the TCTIRC.

12. RESTATEMENT OF FUND BALANCE

Fund balances in the General Fund have been restated for the year beginning January 1, 2018 as duplicated receipts were deleted:

| | General |
|-----------------------------------|-------------------|
| Fund Balance at December 31, 2017 | \$ 109,354 |
| Adjustments | (8,981) |
| Fund Balance at January 1, 2018 | <u>\$ 100,373</u> |

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Village of Midvale
Tuscarawas County
3111 Barnhill Road
Midvale, Ohio 44653

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Midvale, Tuscarawas County as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 16, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Village of Midvale's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. We consider finding 2019-001, 2019-002 and 2019-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Midvale'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, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2019-004 and 2019-005.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 16, 2020

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

All local offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village Officer's Handbook provides suggested accounts classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, 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.

The Village did not properly post all receipts and expenditures. Errors were made in recording various transactions. Amounts were not always posted to the correct fund and/or line item. The following reclassifications and adjustments were made.

- In 2018, an adjustment was made to gross up RITA Income Tax receipts and increase General Government for RITA fees in the amount of \$6,153 in the General Fund.
- In 2018, an adjustment was made to increase Intergovernmental Revenue in the Street Fund and decrease Intergovernmental Revenue in the General Fund for \$5,370 for proper posting of Gas and MVL receipts.
- In 2018, an adjustment was made to increase Municipal Income Tax Receipts in the General Fund and decrease Intergovernmental Revenue in the Street fund for \$118 to properly show income tax received.
- In 2018, an adjustment was made to increase Intergovernmental Revenue in the General Fund and decrease Intergovernmental Revenue in the Street Fund for \$748 to properly post rollbacks received.
- In 2018, a reclassification for \$36 was made to increase Principal Retirement and decrease Interest and Other Fiscal Charges in the Water Operating Fund to properly show debt payments.
- In 2018, a reclassification was made to increase Assigned Fund Balance and decrease Unassigned Fund Balance in the General Fund for encumbrances outstanding at year-end.
- In 2019, an adjustment was made to gross up RITA Income Tax receipts and increase General Government for RITA fees in the amount of \$5,797 in the General Fund.
- In 2019, an adjustment was made to increase Intergovernmental Revenue in the Street Fund and decrease Intergovernmental Revenue in the General Fund for \$710 for proper posting of Gas and MVL receipts.
- In 2019, an adjustment was made to increase Municipal Income Tax Receipts in the General Fund and decrease Intergovernmental Revenue in the Street fund for \$847 to properly show income tax received.
- In 2019, an adjustment was made to increase Intergovernmental Revenue in the General Fund and decrease Intergovernmental Revenue in the Street Fund for \$1,501 to properly post rollbacks received.
- In 2019, a reclassification of \$10,000 was made to decrease Charges for Services and increase Sale of Capital Assets by \$2,500 and increase Miscellaneous Revenue by \$7,500 in the General Fund for sale of equipment and timber.
- In 2019, a reclassification of \$3,010 was made to increase Charges for Services and decrease Special Items in the General Fund for ambulance services.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001 (Continued)

- In 2019, a reclassification of \$5,352 was made to increase Intergovernmental Revenue and decrease Municipal Income Tax in the Street Fund for Gas and MVL receipts.
- In 2019, a reclassification of \$12,500 was made to increase Miscellaneous Revenue and decrease Charges for Services in the Street Fund for sale of timber.

The reclassifications and adjustments with which the Village Official's agree are reflected in the accompanying financial statements are posted to the accounting records.

We recommend the Village utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions.

Client Response: We have received no response from the client.

FINDING NUMBER 2019-002

Material Weakness

Utility Receipt Reconciliations

Customer utility account deposits and utility service payments were posted to the utility system and deposited together into the Village's bank account. During the Period, no reconciliations were performed to verify utility account deposits received per customer utility account records and utility payments per utility stubs received were recorded in the utilities system and deposited. Failure to reconcile amounts received per utility customer account records and customer utility stubs prevents the Village from detecting lost revenue due to theft or fraud.

We recommend an individual independent of the utility collection process reconcile utility customer account deposit records to manual receipts issued for deposits received. Additionally, they should reconcile amounts received per the utility account deposit record and customer utility stubs to amounts posted as received in the utility billing system, in the Uniform Accounting Network (UAN) system, and verify the total of these two sources agree to amounts deposited.

Client Response: We have received no response from the client.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-003

Material Weakness

Approval of Voided Receipts and Adjustments

Between October 2016 and January 2017, 557 adjustments totaling \$3,263,889 were made to customer accounts; however, the Village was unable to provide documentation supporting the adjustments. Additionally, none of the adjustments were authorized or reviewed by Village officials. There were no policies and procedures regarding voided transactions or supervisory approval of voids or adjustments.

Failure to document a reason for adjustments to customer accounts can result in unwarranted and unauthorized transactions being posted to customer accounts thereby increasing the risk of inaccurate account balances and the potential for lost revenue due to theft or errors. The lack of supervisory approval and documenting the reason for a voided receipt prevents the Village from determining whether monies were collected but not deposited and whether the receipt was improperly voided.

We recommend the Village ensure all adjustments to customer accounts and voided receipts have a reason documented and are approved by a supervisor. In addition, we recommend the Village establish formal procedures regarding voided receipts that include documenting the reasons for the void and approval by a supervisor. Adjustment and voided reports should be reviewed periodically by a supervisor to ensure the procedures are being applied. Documentation of the review should be maintained.

Client Response: We have received no response from the client.

FINDING NUMBER 2019-004

Noncompliance

Timely Deposits

Ohio Rev. Code § 9.38 indicates that monies should be deposited with the Treasurer or designated depository within 24 hours of collection and requires that monies be deposited on the next business day if the daily receipt amounts exceed \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

During the Period, deposits should be made with the Fiscal Officer or designated depository for a period of no more than 24 hours. The lack of timely depositing could cause the daily receipts to be lost or misplaced without being detected in a timely manner.

We recommend the Village review its depositing policy for compliance with the above provision. The mayor and/or designee should monitor the Village activity to ensure funds received are deposited as required by their policy and this section.

Client Response: We have received no response from the client.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-005

Noncompliance – Certification of Funds

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

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

- If the fiscal officer can certify that both at the time that the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Village.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-005 (Continued)

The Village did not certify the availability of funds prior to the purchase commitment for 53% of expenditures tested. For these item the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We have received no response from the client.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

| Finding Number | Finding Summary | Fully Corrected | Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|---------------------------------------|-----------------|--|
| 2017-001 | Material Weakness Financial Reporting | No | Not Corrected Finding 2019-001 in current report |

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MIDVALE

TUSCARAWAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/25/2020

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