

VILLAGE OF MIDVALE

FINANCIAL STATEMENTS

Years Ended December 31, 1997 and 1996

Laura J. MacDonald, CPA, Inc.
3613 Reserve Commons Drive
Medina, Ohio 44256

VILLAGE OF MIDVALE
FINANCIAL STATEMENTS
Years Ended December 31, 1997 and 1996

TABLE OF CONTENTS

Page No.

| | |
|--|------|
| ELECTED AND APPOINTED OFFICIALS | (i) |
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Funds: -Year Ended December 31, 1997 | 2 |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary Funds: -Year Ended December 31, 1997 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Funds: -Year Ended December 31, 1996 | 4 |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary Funds: -Year Ended December 31, 1996 | 5 |
| Notes to Financial Statements | 6-10 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 11 |
| SCHEDULE OF FINDINGS | 13 |

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY

P.O. BOX 227
MIDVALE, OHIO 44653

ELECTED AND APPOINTED OFFICIALS AS OF
DECEMBER 31, 1997

| <u>NAME</u> | <u>TITLE</u> | <u>TERM OF OFFICE</u> | <u>SURETY</u> | <u>AMOUNT</u> | <u>PERIOD</u> |
|---|----------------|-----------------------|---------------|---------------|---------------|
| Ralph Hilliard | Mayor | 01/01/96 - 12/31/00 | N/A | | |
| Vera Wilson | Council Pres. | 01/01/96 - 12/31/00 | N/A | | |
| Ann Peveto | Council Member | 01/01/94 - 12/31/98 | N/A | | |
| Doyle Stafford | Council Member | 01/01/94 - 12/31/98 | N/A | | |
| Erma Clagg | Council Member | 01/01/96 - 12/31/00 | N/A | | |
| J. Clagg-Locker | Council Member | 01/01/96 - 12/31/00 | N/A | | |
| LeRoy Eberly | Council Member | 01/01/96 - 12/31/00 | N/A | | |
| Marian Milburn P.O. Box 227 Midvale, OH 44653 | Village Clerk | 01/01/96 - 12/31/00 | (A) | \$10,000 | (B) |

Board of Public Affairs

| | | | | | |
|-----------------|--------|---------------------|-----|--|--|
| Eugene Boggiani | Member | 01/01/96 - 12/31/00 | N/A | | |
| Larry Eggerton | Member | 01/01/94 - 12/31/98 | N/A | | |
| Charles Sours | Member | 01/01/94 - 12/31/98 | N/A | | |

(A) The Ohio Casualty Insurance Company
(B) Renewed annually on November 1st

LEGAL COUNSEL

Brad Zimmerman
140 Fair Avenue NW
New Philadelphia, OH 44663



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Village Council
Village of Midvale
Midvale, Ohio

We have reviewed the Independent Auditor's Report of the Village of Midvale, Tuscarawas County, prepared by Laura J. MacDonald, CPA, Inc., for the audit period January 1, 1996 through December 31, 1997. 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.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish.

JIM PETRO
Auditor of State

February 16, 2000

LAURA J. MACDONALD, CPA, INC.

3613 RESERVE COMMONS DRIVE

MEDINA, OHIO 44256

(330) 722-1944

FAX (330) 225-8084

INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Midvale
Midvale, Ohio

I have audited the accompanying financial statements of the Village of Midvale (the Village) as of and for the years ended December 31, 1997 and 1996. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

As described in Note 1, the Village prepares its financial statements on the cash basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Midvale as of December 31, 1997 and 1996, and its combined cash receipts and disbursements for the years then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued a report dated December 17, 1999 on my consideration of the Village's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Laura J. MacDonald, CPA, Inc.

December 17, 1999

VILLAGE OF MIDVALE
 COMBINED STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCES - ALL GOVERNMENTAL FUNDS
 Year Ended December 31, 1997

| | GENERAL FUND | SPECIAL REVENUE FUNDS | (Memorandum Only) TOTAL |
|---|-------------------------|-----------------------------|-------------------------------|
| CASH RECEIPTS | | | |
| Local taxes | \$ 131,517 | \$ 15,888 | \$ 147,405 |
| Intergovernmental revenues | 43,151 | 17,918 | 61,069 |
| Charges for services | 600 | 1,025 | 1,625 |
| Fines, licenses and permits | 747 | - | 747 |
| Miscellaneous | 3,072 | 1,787 | 4,859 |
| | <u>179,087</u> | <u>36,618</u> | <u>215,705</u> |
| CASH DISBURSEMENTS | | | |
| Security of persons and property | 57,912 | - | 57,912 |
| Public health services | 423 | - | 423 |
| Leisure time activities | 12,408 | 8,933 | 21,341 |
| Basic utility | 13,073 | - | 13,073 |
| Transportation | 1,819 | 35,594 | 37,413 |
| General government | 81,911 | - | 81,911 |
| | <u>167,546</u> | <u>44,527</u> | <u>212,073</u> |
| EXCESS (DEFICIT) OF CASH RECEIPTS OVER CASH DISBURSEMENTS | 11,541 | (7,909) | 3,632 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 8,133 | 8,133 |
| Transfers out | (8,133) | - | (8,133) |
| Other Sources | 5,000 | - | 5,000 |
| | <u>(3,133)</u> | <u>8,133</u> | <u>5,000</u> |
| EXCESS (DEFICIT) OF CASH RECEIPTS & OTHER FINANCING SOURCES OVER CASH DISBURSEMENTS AND OTHER USES | 8,408 | 224 | 8,632 |
| FUND CASH BALANCES | | | |
| AT BEGINNING OF YEAR | <u>54,525</u> | <u>6,040</u> | <u>60,565</u> |
| FUND CASH BALANCES AT END OF YEAR | \$ <u>62,933</u> | \$ <u>6,264</u> | \$ <u>69,197</u> |
| RESERVES FOR ENCUMBRANCES | \$ <u>1,775</u> | \$ <u>780</u> | \$ <u>2,555</u> |

Please refer to accompanying notes.

VILLAGE OF MIDVALE
 COMBINED STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCE - ALL PROPRIETARY FUND TYPES
 Year Ended December 31, 1997

| | <u>ENTERPRISE FUNDS</u> |
|---|-----------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 159,595 |
| Miscellaneous | <u>17,857</u> |
| | 177,452 |
| OPERATING EXPENSES | |
| Personal services | 46,254 |
| Transportation | 374 |
| Contractual services | 34,002 |
| Supplies and materials | 74,948 |
| Capital outlay | <u>149,282</u> |
| | <u>304,860</u> |
| OPERATING LOSS | (127,408) |
| NON-OPERATING REVENUES | |
| Intergovernmental revenues | 83,842 |
| Other non-operating revenues | <u>2,796</u> |
| | <u>86,638</u> |
| NET REVENUES UNDER EXPENSES | (40,770) |
| FUND CASH BALANCE AT BEGINNING OF YEAR | <u>104,043</u> |
| FUND CASH BALANCE AT END OF YEAR | <u>\$ 63,273</u> |
| RESERVES FOR ENCUMBRANCES | <u>\$ -</u> |

Please refer to accompanying notes.

VILLAGE OF MIDVALE
 COMBINED STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCES - ALL GOVERNMENTAL FUNDS
 Year Ended December 31, 1996

| | GENERAL FUND | SPECIAL REVENUE FUNDS | (Memorandum Only) TOTAL |
|---|------------------|-----------------------------|-------------------------------|
| CASH RECEIPTS | | | |
| Local taxes | \$ 139,294 | \$ 12,899 | \$ 152,193 |
| Intergovernmental revenues | 37,332 | 16,014 | 53,346 |
| Charges for services | - | 1,540 | 1,540 |
| Fines, licenses and permits | 351 | - | 351 |
| Miscellaneous | 6,318 | 1,870 | 8,188 |
| | <u>183,295</u> | <u>32,323</u> | <u>215,618</u> |
| CASH DISBURSEMENTS | | | |
| Security of persons and property | 50,977 | - | 50,977 |
| Public health services | 330 | - | 330 |
| Leisure time activities | 9,014 | 14,706 | 23,720 |
| Basic utilities | 22,278 | - | 22,278 |
| Transportation | 7,691 | 33,985 | 41,676 |
| General government | 71,335 | - | 71,335 |
| | <u>161,625</u> | <u>48,691</u> | <u>210,316</u> |
| EXCESS (DEFICIT) OF CASH RECEIPTS OVER CASH DISBURSEMENTS | <u>21,670</u> | <u>(16,368)</u> | <u>5,302</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 8,687 | 8,687 |
| Transfers out | (10,237) | - | (10,237) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(10,237)</u> | <u>8,687</u> | <u>(1,550)</u> |
| EXCESS (DEFICIT) OF CASH RECEIPTS & OTHER FINANCING SOURCES OVER CASH DISBURSEMENTS AND OTHER USES | <u>11,433</u> | <u>(7,681)</u> | <u>3,752</u> |
| FUND CASH BALANCES AT BEGINNING OF YEAR | <u>43,092</u> | <u>13,721</u> | <u>56,813</u> |
| FUND CASH BALANCES AT END OF YEAR | <u>\$ 54,525</u> | <u>\$ 6,040</u> | <u>\$ 60,565</u> |
| RESERVES FOR ENCUMBRANCES | <u>\$ 5,934</u> | <u>\$ 630</u> | <u>\$ 6,564</u> |

Please refer to accompanying notes.

VILLAGE OF MIDVALE
 COMBINED STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCES - ALL PROPRIETARY FUND TYPES
 Year Ended December 31, 1996

| | <u>ENTERPRISE FUNDS</u> |
|--|-----------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 134,783 |
| Miscellaneous | <u>33,613</u> |
| | 168,396 |
| OPERATING EXPENSES | |
| Personal services | 42,367 |
| Contractual services | 229,449 |
| Supplies and materials | <u>77,523</u> |
| | <u>349,339</u> |
| OPERATING LOSS | (180,943) |
| NON-OPERATING REVENUES | |
| Intergovernmental revenues | 79,000 |
| Proceeds from notes | 150,000 |
| Other non-operating revenues | <u>2,968</u> |
| | <u>231,968</u> |
| EXCESS OF REVENUES OVER EXPENSES BEFORE TRANSFERS | 51,025 |
| Transfers-in | <u>1,550</u> |
| NET REVENUES OVER EXPENSES | 52,575 |
| FUND CASH BALANCE AT BEGINNING OF YEAR | <u>51,468</u> |
| FUND CASH BALANCE AT END OF YEAR | <u>\$ 104,043</u> |
| RESERVES FOR ENCUMBRANCES | <u>\$</u> |

Please refer to accompanying notes.

VILLAGE OF MIDVALE
NOTES TO FINANCIAL STATEMENTS
December 31, 1997 and 1996

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Midvale (the Village) is a body politic and corporate 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-person council. The Village also has an appointed three member Board of Public Affairs. The Village provides its residents with general governmental services, including water utilities, refuse collection, income tax, park operations, and police services.

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

Accounting Basis

The accompanying financial statements have been prepared on the cash 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 financial statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

Cash and Investments

The Village maintains cash deposits in checking accounts. Investments include a money market savings account in 1997 and a certificate of deposit in 1996; both are valued at cost.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

The Special Revenue Funds are used to account for receipts from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund: This fund receives gasoline taxes and motor vehicle tax money for the purpose of constructing, maintaining and repairing Village streets.

Park Fund: This fund was established to account for the construction, and receive the proceeds for use of, the Park Recreation Center in the Village.

VILLAGE OF MIDVALE
NOTES TO FINANCIAL STATEMENTS
December 31, 1997 and 1996

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.

Water Storage Tank Fund: This fund is used to account for the Village's water system improvement.

Budgetary Process

The Ohio Revised Code (the Code) requires that budgets be prepared for each fund annually. Tax budgets are required to be adopted on or before July 15th of each year for the next succeeding fiscal year.

A summary of 1997 and 1996 budgetary activity appears in Note 7.

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 1st. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (capital outlays) when paid. These items are not reflected as assets in the accompanying financial statements.

Unpaid Vacation and Sick Leave

Employees are entitled, in certain circumstances, to cash payments for unused vacation and sick leave such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

VILLAGE OF MIDVALE
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1997 and 1996

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31, 1997 and 1996 is as follows:

| | <u>1997</u> | <u>1996</u> |
|------------------------------|-------------------|-------------------|
| Demand deposits | \$ 106,240 | \$ 124,608 |
| Certificate of deposit | - | 40,000 |
| Money market funds | <u>26,230</u> | - |
| Total deposits & investments | <u>\$ 132,470</u> | <u>\$ 164,608</u> |

As of December 31, 1997 and 1996, all deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

NOTE 3 - PROPERTY TAXES

Real property taxes become a lien on the January 1st preceding the October 1st date for which rates are adopted by the 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 financial statements as intergovernmental receipts. Payments are due to the County by December 31st. If the property owner elects to make semiannual payments, the first half is due December 31st. The second half payment is due the following June 20th.

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

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

NOTE 4 - DEBT

Debt outstanding at December 31, 1997 is as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|-------------------|----------------------|
| Water Storage Improvement Note | \$ 140,000 | 6.30 % |
| Recreational Facility Improvement Note | 62,458 | 5.75 % |
| Vehicle Purchase Note | <u>5,000</u> | 5.60 % |
| Total | <u>\$ 207,458</u> | |

NOTE 5 - DEFINED BENEFIT PENSION PLAN

One Village employee belongs to the Police & Firemen's Disability & Pension Fund (PFDPPF) and all others who qualify belong to the Public Employees Retirement System (PERS) of Ohio. PFDPPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

VILLAGE OF MIDVALE
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1997 and 1996

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1997 and 1996, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1997.

NOTE 6 - RISK MANAGEMENT

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

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine
- General liability
- Public Official's liability
- Employers liability
- Employee benefits liability
- Errors and omissions coverage

NOTE 7 - BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 1997 and 1996 is as follows:

1997 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|--------------------|
| General | \$ 175,875 | \$ 184,087 | \$ 8,212 |
| Special Revenue | 39,200 | 44,751 | 5,551 |
| Enterprise | <u>294,280</u> | <u>264,090</u> | <u>(30,190)</u> |
| | <u>\$ 509,355</u> | <u>\$ 492,928</u> | <u>\$ (16,427)</u> |

1997 Budgeted vs. Actual Budgetary Expenditures

| <u>Fund Type</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|------------------|
| General | \$ 202,494 | \$ 177,454 | \$ 25,040 |
| Special Revenue | 50,063 | 45,307 | 4,756 |
| Enterprise | <u>333,227</u> | <u>304,860</u> | <u>28,367</u> |
| | <u>\$ 585,784</u> | <u>\$ 527,621</u> | <u>\$ 58,163</u> |

1996 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|--------------------------|------------------------|--------------------|
| General | \$ 161,500 | \$ 183,295 | \$ 21,795 |
| Special Revenue | 34,419 | 41,010 | 6,591 |
| Enterprise | <u>465,900</u> | <u>401,914</u> | <u>(63,986)</u> |
| | <u>\$ 661,819</u> | <u>\$ 626,219</u> | <u>\$ (35,600)</u> |

1996 Budgeted vs. Actual Budgetary Expenditures

| <u>Fund Type</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|-------------------|
| General | \$ 193,320 | \$ 177,796 | \$ 15,524 |
| Special Revenue | 46,687 | 49,321 | (2,634) |
| Enterprise | <u>474,750</u> | <u>349,339</u> | <u>125,411</u> |
| | <u>\$ 714,757</u> | <u>\$ 576,456</u> | <u>\$ 138,301</u> |

NOTE 8 - MATERIAL NONCOMPLIANCE

Four instances of material non-compliance occurred during the two year period ended December 31, 1997. These instances include failure to properly certify expenditures (Material Noncompliance No. 97-1), inaccurate preparation of annual financial reports (Material Noncompliance No. 97-2), failure to total the cash journal, and failure to reconcile the cash journal with the related bank statement (Material Noncompliance No. 97-3), and failure to maintain books and records in accordance with Chapter 117-5 of the Ohio Administrative Code (Material Noncompliance No. 97-4).

NOTE 9 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Village's operations as early as fiscal 1999.

Although the Village of Midvale has no electronic data processing systems, because of the unprecedented nature of the Year 2000 issue, its effects will not be fully determinable until the year 2000 and thereafter.

Laura J. MacDonald, CPA, Inc.

3613 Reserve Commons Drive

Medina, Ohio 44256

(330) 722-1944

FAX (330) 225-8084

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Midvale
Midvale, Ohio

I have audited the financial statements of the Village of Midvale (the Village) as of and for the years ended December 31, 1997 and 1996, and have issued my report thereon dated December 17, 1999. I conducted my audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Midvale's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audits and, accordingly, I do not express such an opinion. The results of my tests disclosed five instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings as items 97-1, 97-2, 97-3, 97-4 and 97-5.

I also noted certain immaterial instances of noncompliance that I have reported to the management of the Village of Midvale in a separate letter dated December 17, 1999.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered the Village of Midvale's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Village of Midvale's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 97-2 and 97-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider all of the reportable conditions described above to be material weaknesses.

The Village Council
Village of Midvale
Page 2

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

W. A. McLean, CPA, Inc.

December 17, 1999

VILLAGE OF MIDVALE
SCHEDULE OF FINDINGS
Years Ended December 31, 1997 and 1996

Material Noncompliance No. 97-1:

Criteria:

Section 5705.41 (D), Ohio Revised Code states that " No subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void. . ."

Condition:

During fiscal 1997 and 1996, the Clerk did not certify expenditures.

Effect:

Failure to certify expenditures increases the risk that expenditures are incurred which exceed appropriated amounts.

Material Noncompliance No. 97-2

Criteria:

Chapter 117-5-18 of the Ohio Administrative Code requires that each village file an annual financial report.

Condition:

During fiscal 1997 and 1996, these reports were filed by the Village. However, the reports in many instances did not agree with the balances in the Villages appropriations and receipts ledgers.

Effect:

The annual financial reports filed by the Village for fiscal 1997 and 1996 were prepared incorrectly.

Material Noncompliance No. 97-3

Criteria:

Chapter 117-5-09 of the Ohio Administrative Code requires that each Village maintain a cash journal. " At the close of each month, all debit and credit columns shall be ruled off the same line, totaled and the totals for the month entered. . . . The total of all fund balances in the cash journal must reconcile with the cash balance. . . ."

VILLAGE OF MIDVALE
SCHEDULE OF FINDINGS
Years Ended December 31, 1997 and 1996

Condition:

During fiscal 1997 and 1996, the cash journal was not totaled for the year and, at December 31, 1997 and 1996, the cash journal was not reconciled to the related bank statement.

Effect:

The cash journal is not reconciled to the bank statement. This increases the risk that the activity recorded in the cash receipts and appropriations ledgers is not accurate.

Material Noncompliance No. 97-4:

Criteria:

Ohio Administrative Code Chapter 117-5 provides for the uniform system of accounting which serves to identify in detail each financial transaction of the Village council, maintained through proper recording and maintenance of the cash journal, receipts ledger, and appropriations ledger. It also provides formats and instructions for the various forms and reports to be used in connection with these ledgers and journal.

Condition:

During fiscal 1997 and 1996, the Village's journal and ledgers were not maintained properly, including clerical errors, improper recording of appropriations and subsequent encumbrances and improper recording of transfers and classifications of expenditures. Clerical and classification errors were also found in corresponding forms and reports filed by the Village.

Effect:

The following conditions produced an ineffective audit trail and a material weakness in the accounting system for the Village.

Noncompliance No. 97-5

Criteria:

Ohio Revised Code Section 5705.41 (D) indicates that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.

Condition:

During fiscal 1996 actual expenditures in the Special Revenue Funds exceeded budgeted expenditures by approximately \$2,600.

Effect:

Expenditures were incurred in 1996 which were not properly authorized.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF MIDVALE

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: MARCH 9, 2000