



**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 1998	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1997	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 1997	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	19
Corrective Action Plan	20

This Page Intentionally Left Blank



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

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Middleport
Meigs County
237 Race Street
Middleport, Ohio 45760

To the Mayor and Members of Council:

We have audited the accompanying financial statements of the Village of Middleport, Meigs County, Ohio, (the Village) as of and for the years ended December 31, 1998 and December 31, 1997. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 we plan and perform the audit 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the 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 our 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 Middleport, Meigs County as of December 31, 1998 and December 31, 1997, 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*, we have also issued our report dated January 27, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

January 27, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$307,404	\$36,631	\$0	\$344,035
Intergovernmental Receipts	123,864	87,105		210,969
Charges for Services	10,057	114,895		124,952
Fines, Licenses, and Permits	54,766			54,766
Earnings on Investments	5,120	3,887		9,007
Miscellaneous	63,892	46,211		110,103
Total Cash Receipts	<u>565,103</u>	<u>288,729</u>	<u>0</u>	<u>853,832</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	259,046	60,246		319,292
Public Health Services		94,001		94,001
Transportation		62,382		62,382
General Government	163,974			163,974
Debt Service:				
Principal Payments	4,342	288,296		292,638
Interest Payments	1,320	18,280		19,600
Capital Outlay			8,169	8,169
Total Cash Disbursements	<u>428,682</u>	<u>523,205</u>	<u>8,169</u>	<u>960,056</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>136,421</u>	<u>(234,476)</u>	<u>(8,169)</u>	<u>(106,224)</u>
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes		250,000		250,000
Transfers-In		34,743		34,743
Transfers-Out	(69,927)			(69,927)
Total Other Financing Receipts/(Disbursements)	<u>(69,927)</u>	<u>284,743</u>	<u>0</u>	<u>214,816</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	66,494	50,267	(8,169)	108,592
Fund Cash Balances, January 1	(43,363)	86,078	35,000	77,715
Fund Cash Balances, December 31	<u>\$23,131</u>	<u>\$136,345</u>	<u>\$26,831</u>	<u>\$186,307</u>
Reserves for Encumbrances, December 31	<u>\$1,409</u>	<u>\$4,674</u>	<u>\$0</u>	<u>\$6,083</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$483,555	\$0	\$0	\$483,555
Total Operating Cash Receipts	483,555	0	0	483,555
Operating Cash Disbursements:				
Personal Services	222,728			222,728
Contractual Services	85,237			85,237
Supplies and Materials	90,522			90,522
Total Operating Cash Disbursements	398,487	0	0	398,487
Operating Income/(Loss)	85,068	0	0	85,068
Non-Operating Cash Receipts:				
Other Non-Operating Receipts		2	77,966	77,968
Total Non-Operating Cash Receipts	0	2	77,966	77,968
Non-Operating Cash Disbursements:				
Debt Service	57,562			57,562
Other Non-Operating Cash Disbursements			77,992	77,992
Total Non-Operating Cash Disbursements	57,562	0	77,992	135,554
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	27,506	2	(26)	27,482
Transfers-In	35,184			35,184
Net Receipts Over/(Under) Disbursements	62,690	2	(26)	62,666
Fund Cash Balances, January 1	164,782	82,531	6,855	254,168
Fund Cash Balances, December 31	\$227,472	\$82,533	\$6,829	\$316,834
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$304,592	\$39,571	\$0	\$344,163
Intergovernmental Receipts	152,603	139,323		291,926
Charges for Services	7,417	111,261		118,678
Fines, Licenses, and Permits	60,398	3,432		63,830
Earnings on Investments	5,409	549		5,958
Miscellaneous	17,955	17,545		35,500
Total Cash Receipts	<u>548,374</u>	<u>311,681</u>	<u>0</u>	<u>860,055</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	227,836	55,833		283,669
Leisure Time Activities		39,009		39,009
Community Environment		90,090		90,090
Basic Utility Services	32,956	323		33,279
Transportation		67,041		67,041
General Government	215,276			215,276
Debt Service:				
Principal Payments	77,359	23,662		101,021
	5,548	16,706		22,254
Total Cash Disbursements	<u>558,975</u>	<u>292,664</u>	<u>0</u>	<u>851,639</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(10,601)</u>	<u>19,017</u>	<u>0</u>	<u>8,416</u>
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes	18,955	8,500		27,455
Transfers-In		35,214		35,214
Transfers-Out	(57,059)			(57,059)
Total Other Financing Receipts/(Disbursements)	<u>(38,104)</u>	<u>43,714</u>	<u>0</u>	<u>5,610</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(48,705)	62,731	0	14,026
Fund Cash Balances, January 1	<u>5,342</u>	<u>23,347</u>	<u>35,000</u>	<u>63,689</u>
Fund Cash Balances, December 31	<u>(\$43,363)</u>	<u>\$86,078</u>	<u>\$35,000</u>	<u>\$77,715</u>
Reserves for Encumbrances, December 31	<u>\$1,381</u>	<u>\$2,224</u>	<u>\$0</u>	<u>\$3,605</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$435,593	\$0	\$0	\$435,593
Miscellaneous	20,393			20,393
Total Operating Cash Receipts	455,986	0	0	455,986
Operating Cash Disbursements:				
Personal Services	228,278			228,278
Contractual Services	76,333			76,333
Supplies and Materials	50,265			50,265
Total Operating Cash Disbursements	354,876	0	0	354,876
Operating Income/(Loss)	101,110	0	0	101,110
Non-Operating Cash Receipts:				
Proceeds from Notes and Bonds	1,500			1,500
Other Non-Operating Receipts		1,468	65,782	67,250
Total Non-Operating Cash Receipts	1,500	1,468	65,782	68,750
Non-Operating Cash Disbursements:				
Debt Service	58,861			58,861
Other Non-Operating Cash Disbursements			64,625	64,625
Total Non-Operating Cash Disbursements	58,861	0	64,625	123,486
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	43,749	1,468	1,157	46,374
Transfers-In	21,845			21,845
Net Receipts Over/(Under) Disbursements	65,594	1,468	1,157	68,219
Fund Cash Balances, January 1	99,188	81,063	5,698	185,949
Fund Cash Balances, December 31	\$164,782	\$82,531	\$6,855	\$254,168
Reserve for Encumbrances, December 31	\$449	\$0	\$0	\$449

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Middleport, Meigs County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable except debt service funds maintained by outside custodians are not included in these financial statements as discussed in Note 5.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Mutual funds are recorded at share values reported by the mutual fund.

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

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

Fire Truck Fund - This fund receives property and other taxes, and the proceeds from a bond issue for the purchase of a new fire truck.

Refuse Fund - This fund receives monies charged with the utility billing to provide refuse collection within the Village.

3. Capital Project Funds

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

Water System Improvement Fund - This fund receives proceeds from the General Fund. The proceeds are used to make improvements to existing water and sewer system structures.

4. 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.

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

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Other trust funds are classified as Expendable. Funds for which the Village is acting in an agency capacity are classified as Agency Funds. The Village had the following significant Fiduciary Funds:

Cemetery Endowment Fund - This Nonexpendable Trust Fund receives interest from the invested fund balance. The interested is then used to provide general cemetery maintenance.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Trust and Agency Funds) (Continued)

Mayor's Court - This Agency Fund receives fines from police department citations. These monies are divided between the Village and the State, as prescribed by law.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, 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.

2. 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:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>1998</u>	<u>1997</u>
Demand deposits	\$ 420,608	\$ 249,351
Total deposits	420,608	249,351
Mutual Fund Investments	82,533	82,532
Total deposits and investments	\$ 503,141	\$ 331,883

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: In 1994, the Village invested its Cemetery Trust Fund balance in investments which did not meet the requirements of the Ohio Revised Code. At least one of the mutual fund investments was not a no-load mutual fund. Further, the investments were purchased from a broker/dealer, and not a bank. In 1995, the Village added to the investments in the above funds, plus invested in another similar fund. In 1996, there was an addition to the investment. There were no additions to the investments during 1997 or 1998.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and December 31, 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 441,728	\$ 565,103	\$ 123,375
Special Revenue	261,241	573,472	312,231
Capital Projects	0	0	0
Enterprise	481,215	518,739	37,524
Nonexpendable Trust	0	2	2
Total	\$ 1,184,184	\$ 1,657,316	\$ 473,132

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 587,985	\$ 500,018	\$ 87,967
Special Revenue	308,993	527,879	(218,886)
Capital Projects	14,169	8,169	6,000
Enterprise	471,292	456,049	15,243
Nonexpendable Trust	0	0	0
Total	\$ 1,382,439	\$ 1,492,115	\$ (109,676)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 520,612	\$ 567,329	\$ 46,717
Special Revenue	344,833	355,395	10,562
Capital Projects	0	0	0
Enterprise	485,871	479,331	(6,540)
Nonexpendable Trust	0	1,468	1,468
Total	<u>\$ 1,351,316</u>	<u>\$ 1,403,523</u>	<u>\$ 52,207</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 615,268	\$ 617,415	\$ (2,147)
Special Revenue	294,998	294,888	110
Capital Projects	0	0	0
Enterprise	454,650	414,186	40,464
Nonexpendable Trust	0	0	0
Total	<u>\$ 1,364,916</u>	<u>\$ 1,326,489</u>	<u>\$ 38,427</u>

Ohio Rev. Code § 5705.10 requires that money paid into any fund shall be used only for the purposes of which such fund is established. The Village had funds with negative cash balances at December 31, 1997 and December 31, 1998 indicating that monies from other funds were used to meet the obligations of these funds.

Ohio Rev. Code § 5705.39 states that the total appropriation from each fund should not exceed the total estimated resources. The Village adopted appropriations which exceeded estimated resources in several funds during 1997 and 1998.

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures which exceeded appropriations in several funds during 1997 and 1998.

4. PROPERTY TAX

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

4. PROPERTY TAX (Continued)

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

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

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan (OWDA)	\$ 139,919	8.09%
Sewer Mortgage Revenue Bonds	150,000	5.00%
Water Mortgage Revenue Bonds	135,000	5.25%
General Obligation Bonds (Fire Truck)	250,000	5.00%
Police Cruiser Loan	12,254	9.00%
Pool Improvement Loan	2,642	7.50%
Total	\$ 689,815	

The Ohio Water Development Authority Loan (OWDA) loan relates to utility construction projects. Annual principal and interest payments will be made through the year 2012.

The Sewer Mortgage Revenue Bonds were issued in 1967 for sewage system and sewage disposal facilities improvement. Annual principal and interest payments will be made through the year 2007. The Sewer Project trust agreement required the Village to establish a debt service account to be maintained by a custodian bank. The Village established this account. The activity of this account is not reflected in the accompanying financial statements.

The Water Mortgage Revenue Bonds were issued in 1967 for waterworks facilities improvement. Annual principal and interest payments will be made through the year 2007. The Water Project trust agreement required the Village to establish a debt service account to be maintained by a custodian bank. The Village established this account. The activity of this account is not reflected in the accompanying financial statements.

The General Obligation Bonds were issued in 1998 to refinance the Farmer's Home Administration Loan (FmHA) that was issued in 1991 for the purchase of a ladder truck for the fire department. Annual principal and interest payments will be made through the year 2006.

The Police Cruiser Loan was obtained in 1997 to purchase a new police cruiser for the Village Police Department. Annual principal and interest payments will be made through the year 2001.

The Pool Improvement Loan was obtained in 1997 to make necessary repairs to the public swimming pool. Annual principal and interest payments will be made through the year 1999.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

5. DEBT (Continued)

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

Year ending December 31:	OWDA Loan	Sewer Mortgage Revenue Bonds	Water Mortgage Revenue Bonds	Fire Truck Bonds	Police Cruiser Loan	Pool Improvement Loan
1999	\$ 16,743	\$ 22,303	\$ 22,088	\$ 37,710	\$ 5,662	\$ 2,700
2000	16,743	21,534	21,300	41,460	5,662	0
2001	16,743	20,766	20,512	39,960	2,359	0
2002	16,743	19,997	19,725	38,460	0	0
2003	16,743	19,228	18,938	36,960	0	0
Subsequent	<u>167,428</u>	<u>83,072</u>	<u>67,874</u>	<u>115,920</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 251,143</u>	<u>\$ 186,900</u>	<u>\$ 170,437</u>	<u>\$310,470</u>	<u>\$13,683</u>	<u>\$ 2,700</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, 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 wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 1998.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Inland marine
- Law enforcement liability
- Public officials liability

The Village also provides life and medical insurance coverage to full-time employees through a private carrier.

8. CONTINGENT LIABILITIES

The Village was involved in a lawsuit with an employee. The settlement reached requires the Village to pay \$6,257.41 for each of the next three years to this employee.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

8. CONTINGENT LIABILITIES (Continued)

The Village is the defendant in another lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of the matters will not materially adversely affect the Village's financial condition.

9. YEAR 2000 ISSUE

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

The Village has completed an inventory of computer systems and other equipment necessary to conducting Village operations. The Village has identified the following systems requiring year 2000 remediation:

The Village uses packaged accounting, payroll, and utility billing programs on its computer system. Validation and testing of this software and computer system have been completed.

Tax collection for the Village is handled by Meigs County. The County is responsible for remediating the system, and is solely responsible for any costs associated with this project.

The State of Ohio distributes a substantial sum of money to the Village in the form of motor vehicle license tax and gas tax payments. The State is responsible for remediating this system.

To the best of management's knowledge and belief, as of January 27, 2000, the government experienced no significant interruption of mission-critical operations or services related to the the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the Village does business may also experience Year 2000 readiness issues that are as yet, unknown.

10. FUND BALANCE RESTATEMENT

Due to several prior period adjustments, the January 1, 1997 fund balances have been restated as follows:

	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Debt Service Fund Type</u>	<u>Enterprise Fund Type</u>
Fund cash balances originally stated, December 31, 1996	\$(331,055)	\$310,731	\$127,665	\$145,330
Prior period adjustment	<u>336,397</u>	<u>(287,384)</u>	<u>(127,665)</u>	<u>(46,142)</u>
Restated fund cash balances, January 1, 1997	<u>\$ 5,342</u>	<u>\$ 23,347</u>	<u>\$ 0</u>	<u>\$ 99,188</u>



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

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Middleport
Meigs County
237 Race Street
Middleport, Ohio 45760

To the Mayor and Members of Council:

We have audited the accompanying financial statements of the Village of Middleport, Meigs County, Ohio (the Village), as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated January 27, 2000. We conducted our audit 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's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-30753-001 through 1998-30753-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated January 27, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1998-30753-004.

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. Our 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, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 27, 2000.

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

Jim Petro
Auditor of State

January 27, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

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

FINDING NUMBER 1998-30753-001

Noncompliance Citation

Ohio Rev. Code § 5705.10 requires that money paid into any fund shall be used only for the purposes of which such fund is established.

Four of the Village's funds had negative cash balances at December 31, 1997 - General Fund (\$43,363), Public Transportation Fund (\$20,271), Pool Improvement Fund (\$10,599) and the Fire Equipment Fund (\$30); Four also had negative cash balances at December 31, 1998 - Public Transportation Fund (\$20,251), Pool Improvement Fund (\$10,999), Fire Equipment Fund (\$1,013), and the Law Block Grant Fund (\$729), indicating that monies from other funds were used to meet the obligations of these funds.

We recommend the Village not pay obligations of one fund with monies from another fund. We also recommend the Village Council take steps to control spending or increase revenue sources in these funds to eliminate the deficit fund cash balances, and review the Village's financial activity, including beginning fund balances, receipts, disbursements, and ending fund balances, on a monthly basis.

FINDING NUMBER 1998-30753-002

Noncompliance Citation

Ohio Rev. Code § 5705.39 states that the total appropriation from each fund should not exceed the total estimated resources.

The appropriations of the Village of Middleport exceeded estimated resources in 1997 in the following funds: General Fund, \$54,314 or 10%; Fire Equipment Fund, \$2,444 or 10%; Fire Truck Fund, \$15,740 or 40%; and the Law Block Grant Fund, \$3,732 or 476%. In 1998 the appropriations of the Village exceeded estimated resources in the following funds: General Fund, \$105,915 or 22%; Fire Equipment Fund, \$19,829 or 119%; Fire Truck Fund, \$7,627 or 20%; and Recreation Fund, \$9,667 or 37%. In addition, for 1998, the Village approved appropriations of \$26,568, \$5,400 and \$8,350 for the Public Transportation Fund, Swimming Pool Improvement Fund and Ohio Department of Natural Resources Fund respectively, all of which had negative fund balances and no estimated resources for 1998. This could result in the Village Council authorizing expenditures for which the Village has no funds.

We recommend that the Village of Middleport limit the appropriations to the amounts of the estimated resources. If revenues are expected to increase, the Village should request an amended certificate of estimated resources and approve appropriations adjustments accordingly.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

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

(Continued)

FINDING NUMBER 1998-30753-003

Noncompliance Citation

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

In 1997, the Village's expenditures exceeded appropriations in the Pool Improvement Fund, \$10,599 or 34%, the Law Block Grant Fund, \$1,706 or 38%, and the Disaster Relief Fund, \$7,118 for which there were no appropriations. In 1998, the Village's expenditures exceeded appropriations in the Fire Truck Fund, \$245,234 or 533%, the Recreation Fund, \$5,000 or 14%, and the Cemetery Fund, \$3,437 or 18%.

We recommend the Village not make expenditures unless sufficient amounts have been appropriated.

FINDING NUMBER 1998-30753-004

Reportable Condition

The Clerk/Treasurer did not perform bank reconciliations or maintain an accurate listing of outstanding checks at the end of each month or year. On the end-of-year reconciliation, an amount was inserted to represent outstanding checks, in order to have the appearance of being in balance.

An accurate accounting of the outstanding check amount cannot be presented without a detailed listing of the individual items that make up the amount represented as outstanding. This also proved to be time consuming in reconciling cash from the book to the bank, since the actual outstanding check list had to be prepared.

We recommend the Clerk/Treasurer not only perform actual monthly bank reconciliations, but prepare a detailed listing of outstanding checks at the end of each month to aid in the reconciling process. We also recommend the Village Council review the bank reconciliations at the monthly meetings.

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1998 AND 1997**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</u>
N/A	Ohio Rev. Code 5705.10 was cited for funds having deficit balances.	No	Some improvement but cited again this audit.
N/A	Ohio Rev. Code 5705.41(B) was cited for expenditures exceeding appropriations.	No	Some improvement but cited again this audit.
N/A	Material weakness for having deficit fund balances.	No	Some improvement but a citation was given for this again this audit.
N/A	Material weakness for expenditures exceeding appropriations.	No	Some improvement but a citation was given for this again this audit.

**CORRECTIVE ACTION PLAN
DECEMBER 31, 1998 AND 1997**

<u>Finding Number</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>	<u>Responsible Contact Person</u>
1998-30753-001	Village plans to investigate ways to eliminate the deficit fund balances.	Fiscal Year 2000	Bryan Swann, Clerk/Treasurer
1998-30753-002	Village plans to not approve appropriations that exceed estimated resources.	Fiscal Year 2000	Bryan Swann, Clerk/Treasurer
1998-30753-003	Village plans to monitor expenditures as compared to appropriations and make amendments as needed.	Fiscal Year 2000	Bryan Swann, Clerk/Treasurer
1998-30753-004	Clerk/Treasurer plans to perform bank reconciliations on a monthly basis and present these to Council at their monthly meetings.	Fiscal Year 2000	Bryan Swann, Clerk/Treasurer



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 MIDDLEPORT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 29, 2000**