



**Auditor of State  
Betty Montgomery**



VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	21

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Middle Point  
Van Wert County  
P.O. Box 191  
Middle Point, Ohio 45863

To the Village Council:

We have audited the accompanying financial statements of the Village of Middle Point (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

We were unable to obtain sufficient evidential matter supporting the amount reported as income tax revenue which represents forty-nine percent and fifty-three percent of general fund revenue, for the years ending December 31, 2002 and 2001, respectively. In addition, we were unable to determine the validity of the amount reported through alternative procedures.

In our opinion, except for the effect of such adjustment, if any, as might have been determined to be necessary had we been able to determine the validity of the amounts reported as income tax revenue, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and 2001, 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 September 8, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Village of Middle Point  
Van Wert County  
Independent Accountants' Report  
Page 2

This report is intended solely for the information and use of management, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 9, 2003

**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$74,165	\$12,406	\$86,571
Intergovernmental Receipts	39,492	32,906	72,398
Charges for Services	6,637	51,417	58,054
Fines, Licenses, and Permits	1,925		1,925
Earnings on Investments	1,833	281	2,114
Miscellaneous	4,734	726	5,460
	<u>128,786</u>	<u>97,736</u>	<u>226,522</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	8,719	65,861	74,580
Public Health Services	2,941		2,941
Leisure Time Activities	1,136		1,136
Community Environment	8,855		8,855
Transportation		18,715	18,715
General Government	107,798	279	108,077
Debt Service:			
Principal Payments	14,175		14,175
Interest Payments	6,278		6,278
	<u>149,902</u>	<u>84,855</u>	<u>234,757</u>
Total Receipts Over/(Under) Disbursements	<u>(21,116)</u>	<u>12,881</u>	<u>(8,235)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In		43,440	43,440
Transfers-Out	(50,085)		(50,085)
Other Financing Uses	(36)		(36)
	<u>(50,121)</u>	<u>43,440</u>	<u>(6,681)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(71,237)	56,321	(14,916)
Fund Cash Balances, January 1	<u>113,214</u>	<u>11,562</u>	<u>124,776</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$41,977</u></u>	<u><u>\$67,883</u></u>	<u><u>\$109,860</u></u>

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

**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$158,963
<b>Operating Cash Disbursements:</b>	
Personal Services	48,298
Fringe Benefits	11,198
Contractual Services	27,770
Supplies and Materials	16,530
Capital Outlay	2,711
Total Operating Cash Disbursements	106,507
Operating Income	52,456
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	150
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	31,193
Other Non-Operating Cash Disbursements	288
Total Non-Operating Cash Disbursements	31,481
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	21,125
Transfers-In	6,645
Net Receipts Over Disbursements	27,770
Fund Cash Balances, January 1	94,292
<b>Fund Cash Balances, December 31</b>	<b>\$122,062</b>

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



**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$72,965	\$11,522	\$84,487
Intergovernmental Receipts	42,270	23,048	65,318
Charges for Services	33	39,713	39,746
Earnings on Investments	3,734	626	4,360
Miscellaneous	7,686	843	8,529
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	126,688	75,752	202,440
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	18,568	45,447	64,015
Public Health Services	2,425		2,425
Leisure Time Activities	1,224		1,224
Transportation		15,393	15,393
General Government	85,118		85,118
Debt Service:			
Principal Payments	23,198		23,198
Interest Payments	687		687
Capital Outlay		26,992	26,992
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	131,220	87,832	219,052
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(4,532)	(12,080)	(16,612)
Fund Cash Balances, January 1	117,746	23,642	141,388
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$113,214</u>	<u>\$11,562</u>	<u>\$124,776</u>

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

**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$157,023
Miscellaneous	1,503
	158,526
Total Operating Cash Receipts	158,526
<b>Operating Cash Disbursements:</b>	
Personal Services	52,888
Contractual Services	19,395
Supplies and Materials	12,304
Capital Outlay	15,758
	100,345
Total Operating Cash Disbursements	100,345
Operating Income	58,181
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	1,335
	1,335
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	62,386
Other Non-Operating Cash Disbursements	525
	62,911
Total Non-Operating Cash Disbursements	62,911
Net Receipts (Under) Disbursements	(3,395)
Fund Cash Balances, January 1	97,687
<b>Fund Cash Balances, December 31</b>	<b>\$94,292</b>

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

**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Middle Point, Van Wert County, (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, water and sewer utilities, fire protection services, and police services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting 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**

Investments are included in fund cash balances. 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.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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:

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

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

**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. 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.

*Sewer Debt Fund* - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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 canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting for 2001 and 2002.

A summary of 2002 and 2001 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.

**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**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:

	2002	2001
Demand deposits	\$131,922	\$119,068
Certificates of deposit	100,000	100,000
Total deposits	\$231,922	\$219,068

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$89,853	\$128,786	\$38,933
Special Revenue	108,172	141,176	33,004
Enterprise	175,886	165,758	(10,128)
Total	\$373,911	\$435,720	\$61,809

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$108,881	\$200,023	(\$91,142)
Special Revenue	64,302	84,855	(20,553)
Enterprise	112,085	137,988	(25,903)
Total	\$285,268	\$422,866	(\$137,598)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$149,231	\$126,688	(\$22,543)
Special Revenue	66,773	75,752	8,979
Enterprise	245,561	159,861	(85,700)
Total	\$461,565	\$362,301	(\$99,264)

**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,399	\$131,220	\$179
Special Revenue	103,200	87,832	15,368
Enterprise	253,570	163,256	90,314
Total	\$488,169	\$382,308	\$105,861

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the following at the year ended December 31, 2002.

General	91,142
Street Construction, Maintenance, and Repair	17,140
Fire Fund	6,913
Water Fund	20,280
Sewer Debt Fund	7,961
Equipment Replacement	1,431

Contrary to Ohio law, at December 31, 2001, the Street Construction, Maintenance, and Repair fund had a cash deficit balance of \$40,436.

Also, contrary to Ohio law, at December 31, 2001, the Sewer Debt Fund had actual resources in deficiency of estimated resources resulting in actual resources being less than appropriations in the amount of \$30,667.

At December 31, 2001, the Street Maintenance and Repair fund had appropriations in excess of estimated resources in the amount of \$43,270.

**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 payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. This income is credited to the general fund.

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$755,269	2.00%
Mortgage - Community Building	96,290	7.00%
Backhoe Lease	8,448	
Tractor Mower Lease	<u>16,065</u>	4.50%
Total	<u><u>\$876,072</u></u>	

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

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

During the year 1999, the Village entered into a five-year lease for the purchase of a backhoe, with a \$1 buy-out at the end of the lease, payable in annual installments. During May 2002, the Village entered into a lease purchase for a tractor – mower. This lease is payable in 4 annual installments and contains a \$1 bargain purchase option at the end of the lease.

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

	<u>OWDA Loan</u>	<u>Mortgage</u>	<u>Backhoe Lease</u>	<u>Tractor Mower Lease</u>
Year ending December 31:				
2003	62,386	7,987	8,448	4,016
2004	62,386	7,988		4,016
2005	62,386	7,987		4,016
2006	62,386	7,988		4,017
2007	62,386	7,987		
2008-2012	311,928	39,935		
2013-2016	<u>249,542</u>	<u>90,036</u>		
Total	<u><u>\$873,400</u></u>	<u><u>\$169,908</u></u>	<u><u>\$8,448</u></u>	<u><u>\$16,065</u></u>

**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**7. RETIREMENT SYSTEMS**

All employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance to full-time employees through a private carrier.

**9. CONTRACTUAL OBLIGATIONS**

The Village had the following contractual obligation as of December 31, 2002:

Fire Truck – The contract is with Lifestar Rescue for \$146,992.

**10. CONTINGENT LIABILITIES**

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





**Auditor of State  
Betty Montgomery**

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

Village of Middle Point  
Van Wert County  
Post Office Box 191  
Middle Point, Ohio 45863

To the Village Council:

We have audited the accompanying financial statements of the Village of Middle Point, Van Wert County, (the Village), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated September 9, 2003, which was qualified for lack of evidential matter regarding the Income Tax Revenue in the General Fund. Except for the limitation in the scope of our audit, we conducted our audit in accordance with auditing standards generally accepted in the United States 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 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 2002-001 through 2002-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 9, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgment, 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 conditions are described in the accompanying schedule of findings as items 2002-008 through 2002-011.

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 described above to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-008 and 2002-009 described above to be material weaknesses. 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 September 9, 2003.

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 9, 2003

**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Ohio Rev. Code Section 117.38** states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.

The report shall contain the amount of: 1) receipts, and amounts due from each source 2) expenditures for each purpose 3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and 4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not prepare and file the 2002 or the 2001 annual financial statement by the required date. The 2002 annual report was filed September 2003 and the 2001 annual report was filed May 2003. The Village was declared as unauditible by the Auditor of State during March 2003 due to the failure to prepare financial reports and the lack of adequate records. In addition, the Village did not publish notice that the financial statements were completed and available for public inspection.

The Village should maintain records to allow for filing of the financial report within 60 days of year-end and publish notice in the newspaper that the financial statements are available for public inspection at this time.

**FINDING NUMBER 2002-002**

**Ohio Rev. Code Section 733.28** states the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

The Village clerk did not maintain the books of the village during the audit period. The Village was declared as unauditible by the Auditor of State during March 2003 due to the failure to prepare financial reports and the lack of adequate records. The books were completed by May 2003 for 2001 and September 2003 for 2002, however various errors were noted during the audit. During 2002, 16 adjustments, totaling \$134,079 and during 2001, 12 adjustments totaling \$128,418 were made to the financial reports as presented. Errors included receipts or expenditures posted to incorrect line items and/or funds, \$50,085 transfer not posted, and payroll expenditures not posted. The Village also incorrectly recorded the debt payments during 2001 and 2002 as capital outlay or general government expenditures rather than debt payments. The accompanying financial statements include adjustments to accurately report this financial activity of the Village.

The Village should record all transaction in the books of the Village. Reference can be made to the Village Officer's Handbook and AOS Bulletin 97-001 with regards to accounting for debt issuances and repayment.

**FINDING NUMBER 2002-003**

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to of an appropriated fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000 (\$3,000 after April 7, 2003), the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

Prior certification was not obtained prior to the obligation and expenditure of Village funds for all transactions during 2001, and for 2002 transactions through March 31, 2002. Beginning in April 2002, the Village began utilizing purchase orders, however, the orders were not signed as certified by the Clerk. There was evidence that the Village Council approved the expenditure within thirty days, however, the certificates was not marked "Then and Now."

The Village should require that all employees and officials obtain the required certification prior to incurring the obligations. The Clerk should sign the required certification. If prior certification is not obtained and the Village does approve the expenditure by formal resolution, the blanket certificate or purchase order should be stamped "Then and Now" to indicate that funds were available then and now.

**FINDING NUMBER 2002-004**

**Ohio Rev. Code Section 5705.39** provides that appropriations from each fund shall not exceed the estimated resources available for expenditure as certified by the budget commission. Appropriations exceeded estimated resources for the 2001 Street Maintenance and Repair Fund as follows:

<b>2001 Fund</b>	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Variance</b>
Street Maintenance & Repair Fund	(4,070)	39,200	(43,270)

The Village should monitor their appropriations versus estimated resources during the year and amend these as necessary in order to not overspend.

**FINDING NUMBER 2002-005**

**Ohio Rev. Code Section 5705.36** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

An amended certificate was not obtained during the year 2001, to account for actual revenue being less than the amount contained in the official certificate of estimated resources. The amounts indicated below represent the amounts received that were less than estimated and appropriated for which an amended certificate and appropriation resolution should have been obtained:

2001 Fund	Estimated Resources	Actual Resources	Deficiency	Appropriations	Variance (Actual Resources and Appropriations)
Sewer Debt Fund	123,975	62,261	61,714	92,928	(30,667)

Failure to obtain an amended certificate could result in appropriations and expenditures in excess of the certified revenue and result in deficit spending.

The Village should obtain an amended certificate of estimated resources whenever it is determined that the revenue to be collected will be greater or less than the amount certified in the prior issued certificate of estimated resources. The corresponding appropriations should also be amended accordingly.

**FINDING NUMBER 2002-006**

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

Expenditures exceeded appropriations in the following funds during the year 2002:

Fund	Appropriation	Expenditure	Excess
General	108,881	200,023	91,142
Street Construction, Maintenance and Repair	1,375	18,515	17,140
Fire Fund	58,757	65,640	6,913
Water Fund	44,063	64,343	20,280
Sewer Debt Fund	23,232	31,193	7,961
Equipment Replacement	0	1,431	1,431

Failure to limit expenditures by the approved appropriations could result in deficit spending and deficit fund balances.

The Village should limit all expenditures to within the approved appropriation amounts. When expenditures will exceed the approved appropriation amounts, amended or supplemental appropriations need to be issued and approved by Council.

#### **FINDING NUMBER 2002-007**

**Ohio Rev. Code Section 5705.10**, states that money paid into a fund must be used only for the purposes for which such fund has been established.

The Street Construction, Maintenance and Repair Fund had a deficit cash fund balance at December 31, 2001 of \$40,436. A negative cash fund balance in any fund indicates that money from one fund has been used to cover the expenses of another fund.

Procedures should be developed to monitor fund balances and identify those funds that may potentially fall into negative balance. Advances may be made to cover shortfalls. Reference may be made to Audit Bulletin 97-003 for guidance.

#### **FINDING NUMBER 2002-008**

##### **Material Weakness**

##### **Income Tax Revenues**

The village computer contains an income tax software program which has not been maintained up to date. The reports generated from the system are incomplete and at times inaccurate, and due to the nature and extent of these problems, Village personnel use the program only for addresses and mailing purposes. In addition, there was no master file showing payments by individual or businesses or a master listing of taxpayers (i.e., the client should be able to provide a master listing of the accounts at any point in time along with any additions and deletions taking place during the year, by date). Also, there were no other subsidiary records maintained to track the timing and extent of collections.

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

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

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

## **FINDING NUMBER 2002-009**

### **Material Weakness**

#### **Monthly Bank-to-Book Reconciliation**

The Village did not perform monthly bank-to-book reconciliations for several months of 2002 and the payroll bank account was not properly reconciled to a zero balance each month during 2001 and 2002.

Failure to perform the monthly bank-to-book reconciliations could allow for errors and irregularities occurring and not being detected in a timely manner. In addition, failure to reconcile the payroll account balance to zero could result in outstanding remittances owed being detected in a timely manner, as evidenced by the outstanding amounts owed to the Internal Revenue Service at year end for both 2002 and 2001.

The Village should perform monthly bank reconciliations for the regular and payroll checking accounts and reconcile the regular account with the accounts in the cash journal and the payroll account to a zero balance. The reconciliation should include an explanation for any other adjusting factors used to reconcile the bank balances.

## **FINDING NUMBER 2002-010**

### **Monitoring Financial Reports and Budget**

The duties of Village Council include the management and control of the finances and property of the municipal corporation. In order to properly perform these duties, the Village Council should review financial reports and monitor the Village budget.

For each regular meeting, the Clerk should provide the Council with detailed budget and actual financial statements, lists of investments, cash balances, and reconciliation reports. The Council should carefully review the aforementioned information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village. This information can help answer questions such as the following:

Inquiries Relevant to Overall Village's Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs? Are expenditures made on a timely basis?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are grant revenues being recorded in the proper funds?
- Is the Village drawing all the grant revenues available and drawing timely?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?
- Are bank reconciliations performed on a timely basis and are there any unusual reconciling items?
- Are estimated revenues sufficient to cover appropriations?

The Village should investigate any failures to meet reporting requirements and/or unusual delays in obtaining financial information or providing financial reports. In addition to performing such reviews and inquiries, documentation should be maintained to support that a review was made. This could be documented by making a notation in the minutes or initialing documents reviewed.

**FINDING NUMBER 2002-011**

**HealthServe Emergency Medical Service Claims Processing - SAS 70 Report**

The Village contracts with a third party administrator to collect emergency medical service claims. The third party administrator of the emergency medical service claims collection does not have a Tier II SAS No. 70 review of its internal control surrounding the handling and collection of the payment of claims, nor does the Village have an internal control structure in place regarding review of the processing of emergency medical service claims by the third party administrator.

Internal controls should be in place to provide reasonable assurance that all emergency medical service claims submitted by the Village are received and processed for collection. The Village should monitor the reports provided by HealthServe to ensure that all claim payments collected by HealthServe are received by the Village and that all bad debt adjustments represent proper adjustments for claims in which collection can not be made. Documentation of monitoring procedures performed should be made. Without a Tier II SAS No. 70 review of the third party administrator's internal control procedures, claims may not be properly input for processing and collection without the knowledge of the Village's management.

Procedures should be implemented requiring documentation of the accounting procedures performed to ensure emergency medical service claims are being sufficiently monitored. Also, the third party administrator should provide the Village with a Tier II SAS No. 70 review of its internal control surrounding the handling and collection of claims.



**VILLAGE OF MIDDLE POINT  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-30281-001	Ohio Revised Code 5705.41 (D) – Prior Certification	No	See finding # 2002-003
2000-30281-002	Ohio Revised Code 5705.10 – Deficit Fund Balances	No	See finding #2002-007
2000-30281-003	Ohio Revised Code 5705.36 – Amended Official Certificate of Estimated Resources	No	See finding # 2002-005
2000-30281-004	Ohio Revised Code 5705.41(B) – Expenditures Limited by Appropriations	No	See finding #2002-006
2000-30281-005	Income Tax Revenues	No	See finding #2002-008
2000-30281-006	Monthly Bank to Book Reconciliation	No	See finding #2002-009

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**VILLAGE OF MIDDLE POINT**

**VAN WERT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 13, 2003**