

Village of Middlefield

Financial Statements

December 31, 2002 and 2001



**Auditor of State
Betty Montgomery**

Village Council
Village of Middlefield
14860 North State Avenue
P.O. Box 1019
Middlefield, OH 44062

We have reviewed the Independent Auditor's Report of the Village of Middlefield, Geauga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2001 through December 31, 2002. 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 Middlefield is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 1, 2003

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VILLAGE OF MIDDLEFIELD, OHIO

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	3-4
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types– For the Year Ended December 31, 2002.....	5
Combined Statement of Receipts – Budget and Actual – For the Year Ended December 31, 2002.....	6
Combined Statement of Disbursements Compared With Expenditure Authority – For the Year Ended December 31, 2002.....	7-8
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001.....	9-10
Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types– For the Year Ended December 31, 2001.....	11
Combined Statement of Receipts – Budget and Actual – For the Year Ended December 31, 2001.....	12
Combined Statement of Disbursements Compared With Expenditure Authority – For the Year Ended December 31, 2001.....	13-14
Notes to Financial Statements.....	15-24
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25-26
Schedule of Findings.....	27
Schedule of Prior Audit Findings	28
Response to Findings Associated with Audit Conducted in Accordance with <i>Government Auditing Standards</i> For the Years ended December 31, 2002 and 2001.....	29



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knowledge, innovation, commitment, and service*

CIUNI & PANICHI
INC.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

Independent Auditors' Report

Honorable Mayor and
Members of Council
Village of Middlefield, Ohio

We have audited the accompanying financial statements of the Village of Middlefield, as of and for the years ended December 31, 2002 and 2001, as listed in the Table of Contents. 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 audits 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 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. We believe that our audits provide 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 of the Village of Middlefield as of December 31, 2002 and 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual 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 March 21, 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.



Honorable Mayor and
Members of Council
Village of Middlefield, Ohio

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

Cinni & Panichi, Inc.

Cleveland, Ohio
March 21, 2003

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Receipts</u>				
Local Taxes	\$ 332,883	\$ 2,962,824	\$ -	\$ -
Intergovernmental Revenues	205,938	-	-	-
Charges for Services	68,587	50,107	-	-
Fines, Licenses, and Permits	40,522	1,884	-	-
Investment Income	153,256	-	6,559	-
Miscellaneous	<u>16,694</u>	<u>273,632</u>	<u>-</u>	<u>222,644</u>
Total Receipts	<u>817,880</u>	<u>3,288,447</u>	<u>6,559</u>	<u>222,644</u>
<u>Disbursements</u>				
Security of Persons and Property	835,511	106,810	-	-
Public Health Services	-	124,795	-	-
Leisure Time Activities	43,218	100,070	-	-
Community Environment	92,866	85,871	-	-
-				
Basic Utility Services	18,510	-	-	-
Transportation	13,226	318,885	-	-
General Government	317,151	393,452	-	-
Capital Outlay	<u>-</u>	<u>1,166,634</u>	<u>-</u>	<u>289,914</u>
Total Disbursements	<u>1,320,482</u>	<u>2,296,517</u>	<u>-</u>	<u>289,914</u>
Total Receipts Over (Under)				
Disbursements	<u>(502,602)</u>	<u>991,930</u>	<u>6,559</u>	<u>(67,270)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds From the Sale of Notes	-	-	2,809,950	-
Sale of Fixed Assets	750	-	-	-
Operating Transfers-In	528,930	314,316	-	308,305
Operating Transfers-Out	<u>(120,301)</u>	<u>(1,079,130)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>409,379</u>	<u>(764,814)</u>	<u>2,809,950</u>	<u>308,305</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(93,223)	227,116	2,816,509	241,035
Beginning Fund Cash Balance	<u>222,815</u>	<u>3,624,806</u>	<u>-</u>	<u>337,492</u>
Ending Fund Cash Balance	\$ <u>129,592</u>	\$ <u>3,851,922</u>	\$ <u>2,816,509</u>	\$ <u>578,527</u>

The accompanying notes are an integral part of these financial statements

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
Expendable <u>Trust</u>	
\$ -	\$ 3,295,707
-	205,938
-	118,694
-	42,406
-	159,815
<u>11,643</u>	<u>524,613</u>
<u>11,643</u>	<u>4,347,173</u>
7,539	949,860
-	124,795
-	143,288
-	178,737
-	18,510
-	332,111
-	710,603
<u>-</u>	<u>1,456,548</u>
<u>7,539</u>	<u>3,914,452</u>
<u>4,104</u>	<u>432,721</u>
-	2,809,950
-	750
16,500	1,168,051
<u>-</u>	<u>(1,199,431)</u>
<u>16,500</u>	<u>2,779,320</u>
20,604	3,212,041
<u>63,285</u>	<u>4,248,398</u>
\$ <u>83,889</u>	\$ <u>7,460,439</u>

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 600,434
Miscellaneous	142,358
Total Operating Revenues	<u>742,792</u>
<u>Operating Expenses</u>	
Personal Services	296,574
Travel Transportation	820
Contractual Services	226,088
Supplies and Materials	109,447
Capital Outlay	41,918
Total Operating Expenses	<u>674,847</u>
Operating Income	67,945
<u>Non-Operating Expenses</u>	
Principal Retirement	<u>(45,322)</u>
Net Revenues Over (Under) Expenses Before Transfers	22,623
Operating Transfers – In	148,888
Operating Transfers – Out	<u>(117,508)</u>
Net Revenues Over (Under) Expenses	54,003
Beginning Fund Cash Balance	<u>1,569,649</u>
Ending Fund Cash Balance	\$ <u><u>1,623,652</u></u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF RECEIPTS – BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2002

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental			
General Fund	\$ 1,345,130	\$ 1,347,560	\$ 2,430
Special Revenue Funds	3,848,093	3,602,763	(245,330)
Debt Service Fund	-	2,816,509	2,816,509
Capital Projects Funds	532,889	530,949	(1,940)
Proprietary			
Enterprise Funds	690,376	891,680	201,304
Fiduciary			
Expendable Trust Funds	<u>28,137</u>	<u>28,143</u>	<u>6</u>
Total (Memorandum Only)	\$ <u>6,444,625</u>	\$ <u>9,217,604</u>	\$ <u>2,772,979</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF DISBURSEMENTS COMPARED WITH EXPENDITURE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2002

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2002 Appropriations</u>	<u>Total</u>
Governmental			
General Fund	\$ -	\$ 1,521,270	\$ 1,521,270
Special Revenue Funds	236,333	5,458,816	5,695,149
Debt Service Fund	-	-	-
Capital Projects Funds	65,372	604,924	670,296
Proprietary			
Enterprise Funds	14,474	1,901,874	1,916,348
Fiduciary			
Expendable Trust Funds	<u>-</u>	<u>24,058</u>	<u>24,058</u>
Total (Memorandum Only)	\$ <u>316,179</u>	\$ <u>9,510,942</u>	\$ <u>9,827,121</u>

The accompanying notes are an integral part of these financial statements

<u>Actual 2002 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/02</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 1,440,783	\$ -	\$ 1,440,783	\$ 80,487
3,375,647	278,843	3,654,490	2,040,659
-	-	-	-
289,914	18,533	308,447	361,849
837,677	10,000	847,677	1,068,671
<u>7,539</u>	<u>-</u>	<u>7,539</u>	<u>16,519</u>
\$ <u><u>5,951,560</u></u>	\$ <u><u>307,376</u></u>	\$ <u><u>6,258,936</u></u>	\$ <u><u>3,568,185</u></u>

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Receipts</u>				
Local Taxes	\$ 316,929	\$ 2,524,637	\$ -	\$ -
Intergovernmental Revenues	139,650	28,723	-	288,424
Special Assessments	-	11,145	-	-
Charges for Services	28,452	9,760	-	-
Fines, Licenses, and Permits	36,624	905	-	-
Investment Income	274,258	-	-	-
Miscellaneous	25,413	11,277	-	116,285
Total Receipts	<u>821,326</u>	<u>2,586,447</u>	<u>-</u>	<u>404,709</u>
<u>Disbursements</u>				
Security of Persons and Property	749,362	135,360	-	-
Public Health Services	-	109,559	-	-
Leisure Time Activities	51,203	47,028	-	-
Community Environment	35,265	23,439	-	-
Basic Utility Services	21,591	-	-	-
Transportation	19,003	830,265	-	-
General Government	261,652	400,708	-	-
Capital Outlay	-	-	-	1,001,388
Total Disbursements	<u>1,138,076</u>	<u>1,546,359</u>	<u>-</u>	<u>1,001,388</u>
Total Receipts Over (Under)				
Disbursements	<u>(316,750)</u>	<u>1,040,088</u>	<u>-</u>	<u>(596,679)</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers-In	497,680	42,675	-	113,765
Operating Transfers-Out	<u>(107,235)</u>	<u>(588,680)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>390,445</u>	<u>(546,005)</u>	<u>-</u>	<u>113,765</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	73,695	494,083	-	(482,914)
Beginning Fund Cash Balance	<u>149,120</u>	<u>3,130,723</u>	<u>-</u>	<u>820,406</u>
Ending Fund Cash Balance	\$ <u>222,815</u>	\$ <u>3,624,806</u>	\$ <u>-</u>	\$ <u>337,492</u>

The accompanying notes are an integral part of these financial statements

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$ -	\$ 2,841,566
-	456,797
-	11,145
-	38,212
-	37,529
45	274,303
-	<u>152,975</u>
<u>45</u>	<u>3,812,527</u>
8,462	893,184
24	109,583
-	98,231
-	58,704
4,194	25,785
-	849,268
-	662,360
-	<u>1,001,388</u>
<u>12,680</u>	<u>3,698,503</u>
<u>(12,635)</u>	<u>114,024</u>
16,436	670,556
<u>-</u>	<u>(695,915)</u>
<u>16,436</u>	<u>(25,359)</u>
3,801	88,665
<u>59,484</u>	<u>4,159,733</u>
\$ <u><u>63,285</u></u>	\$ <u><u>4,248,398</u></u>

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 596,270
Miscellaneous	1,375
Total Operating Revenues	<u>597,645</u>
<u>Operating Expenses</u>	
Personal Services	268,268
Travel Transportation	706
Contractual Services	411,304
Supplies and Materials	109,647
Capital Outlay	<u>43,628</u>
Total Operating Expenses	<u>833,553</u>
Operating Loss	(235,908)
<u>Non-Operating Expenses</u>	
Principal Retirement	<u>(16,480)</u>
Net Revenues Over (Under) Expenses Before Transfers	(252,388)
Operating Transfers – In	111,022
Operating Transfers – Out	<u>(85,663)</u>
Net Revenues Over (Under) Expenses	(227,029)
Beginning Fund Cash Balance	<u>1,796,678</u>
Ending Fund Cash Balance	\$ <u><u>1,569,649</u></u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF RECEIPTS – BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2001

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental			
General Fund	\$ 1,250,662	\$ 1,319,006	\$ 68,344
Special Revenue Funds	2,629,838	2,629,122	(716)
Debt Service Fund	-	-	-
Capital Projects Funds	753,198	518,474	(234,724)
Proprietary			
Enterprise Funds	717,784	708,667	(9,117)
Fiduciary			
Expendable Trust Funds	<u>16,500</u>	<u>16,481</u>	<u>(19)</u>
Total (Memorandum Only)	\$ <u>5,367,982</u>	\$ <u>5,191,750</u>	\$ <u>(176,232)</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF DISBURSEMENTS COMPARED WITH EXPENDITURE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2001

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2001 Appropriations</u>	<u>Total</u>
Governmental			
General Fund	\$ 556	\$ 1,352,874	\$ 1,353,430
Special Revenue Funds	48,358	4,741,653	4,790,011
Debt Service Fund	-	-	-
Capital Projects Funds	-	1,138,400	1,138,400
Proprietary			
Enterprise Funds	87,052	2,269,756	2,356,808
Fiduciary			
Expendable Trust Funds	<u>-</u>	<u>74,550</u>	<u>74,550</u>
Total (Memorandum Only)	\$ <u>135,966</u>	\$ <u>9,577,233</u>	\$ <u>9,713,199</u>

The accompanying notes are an integral part of these financial statements

<u>Actual 2001 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 1,245,311	\$ -	\$ 1,245,311	\$ 108,119
2,135,039	236,333	2,371,372	2,418,639
-	-	-	-
1,001,386	65,372	1,066,758	71,642
935,696	14,474	950,170	1,406,638
<u>12,680</u>	<u>-</u>	<u>12,680</u>	<u>61,870</u>
\$ <u>5,330,112</u>	\$ <u>316,179</u>	\$ <u>5,646,291</u>	\$ <u>4,066,908</u>

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: police protection, public recreation and public services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements on a 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. A general fixed asset group and long-term debt group of accounts are not recorded in the financial statements by the Village under the basis of accounting used. By virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting and to make appropriations.

C. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest is recognized and recorded when received.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

GOVERNMENTAL FUNDS

General Fund

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

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2002 AND 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FUND ACCOUNTING (CONTINUED)

Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long term and special assessment debt principal and interest.

Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities.

PROPRIETARY FUNDS

Enterprise Fund

To account for the Village's water and sewer operation. It is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Trust and Agency Funds

To account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Expendable Trust Funds are those in which principal and income may be expended in the course of their designated operations.

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2002 AND 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BUDGETARY PROCESS (CONTINUED)

2. Estimated Resources

The county budget commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown on the accompanying financial statements do not include January 1, 2002 and 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general government service are recorded as expenditures. Depreciation is not recorded for those fixed assets.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2002 AND 2001

NOTE 2 - OUTSTANDING DEBT

	<u>Balance</u> <u>12/31/00</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/01</u>
OPWC Loan – Lake Ave. Water Line	\$ 90,638	\$ -	\$ 16,480	\$ 74,158
OPWC Loan – Water Tower	<u>-</u>	<u>288,424</u>	<u>-</u>	<u>288,424</u>
Total Debt	\$ <u>90,638</u>	\$ <u>288,424</u>	\$ <u>16,480</u>	\$ <u>362,582</u>

	<u>Balance</u> <u>12/31/01</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/02</u>
NW – Bypass Bond Anticipation Note	\$ -	\$ 2,809,950	\$ -	\$ 2,809,950
OPWC Loan – Lake Ave. Water Line	74,158	-	16,480	57,678
OPWC Loan – Water Tower	<u>288,424</u>	<u>-</u>	<u>28,842</u>	<u>259,582</u>
Total Debt	\$ <u>362,582</u>	\$ <u>2,809,950</u>	\$ <u>45,322</u>	\$ <u>3,127,210</u>

The Village obtained a non-interest bearing loan for \$164,797 from the Ohio Public Works Commission to fund the Lake Avenue Water Line project. The Village is required to make semi-annual payments of \$8,240, with final payment due January 1, 2006. The Village obtained a second non-interest bearing loan from the Ohio Public Works Commission during 2001 for the construction of a new water tower. The Village is required to make semi-annual payments of \$14,421, with the final payment due July 1, 2011.

During 2002, the City issued bond anticipation notes in the amount of \$2,809,950. The note bears an interest rate of 2.5% per annum. Principal and accrued interest are due in full on November 5, 2003, unless renewed.

NOTE 3 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2002. Real property taxes are payable annually or semiannually. The first payment is due February 14, with the remainder payable by July 14.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2002 AND 2001

NOTE 3 - PROPERTY TAX (CONTINUED)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village of Middlefield. The County Auditor periodically remits to the Village its portion of the taxes collected.

The full tax rate for all Village operations for the year ended December 31, 2002, was \$7.95 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Category</u>	<u>2002</u> <u>Assessed Value</u>	<u>2001</u> <u>Assessed Value</u>
Real Estate	\$ 53,577,730	\$ 49,037,860
Public Utility	1,673,890	2,096,870
Tangible Personal	<u>35,041,330</u>	<u>35,309,110</u>
Total Valuation	\$ <u>90,292,950</u>	\$ <u>86,443,840</u>

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources for a majority of the Village's individual funds are combined to form a pool of cash and investments which are stated at cost and amortized cost.

The Village may invest any monies not required to be used for a period of six months in the following classes of investments:

- Bonds, notes or other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest;
- Discount notes of the Federal National Mortgage Association;
- Bonds of the State of Ohio; and
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.
- The Ohio Subdivisions Fund (STAR Ohio)

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2002 AND 2001

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Village places deposits must pledge as collateral eligible securities with an aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority.

At December 31, 2002, the carrying amount of the Village's deposits was \$2,005,264 and the bank balance was \$2,221,031. At December 31, 2001, the carrying amount of the Village's deposits was \$2,656,767 and the bank balance was \$2,745,298. Of the bank balance:

1. \$312,662 and \$330,829 was covered by federal depository insurance, collateral held by the Municipality, or by collateral held by a qualified third party trustee in the name of the Village at December 31, 2002 and 2001, respectively; and
2. \$1,908,369 and \$2,414,469 was covered by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions at December 31, 2002 and 2001, respectively.

The Village's investments are detailed below and are categorized to give an indication of the level of risk assumed by the Village at year end. The Village's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Village's name.

<u>Description</u>	<u>2002</u>		
	<u>Risk Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Sweep Account	\$ 1,944,506	\$ 1,944,506	\$ 1,944,506
STAR Ohio*	-	<u>5,134,321</u>	<u>5,134,321</u>
Total Investments	<u>\$ 1,944,506</u>	<u>\$ 7,078,827</u>	<u>\$ 7,078,827</u>

<u>Description</u>	<u>2001</u>		
	<u>Risk Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Sweep Account	\$ 881,084	\$ 881,084	\$ 881,084
STAR Ohio*	-	<u>2,280,196</u>	<u>2,280,196</u>
Total Investments	<u>\$ 881,084</u>	<u>\$ 3,161,280</u>	<u>\$ 3,161,280</u>

* Noncategorized

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2002 AND 2001

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Starting in 2002, the Village of Middlefield invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2002. The amounts invested with STAR Ohio are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

NOTE 5 - LOCAL INCOME TAX

This locally levied tax of one percent (1%) is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village of Middlefield and to earnings of non-residents (except certain transients) earned in the village. It also applies to net income of business organizations conducted within the Village of Middlefield. Tax receipts are credited to the Income Tax Special Revenue Fund and amounted to \$2,646,863 and \$2,185,282 in 2002 and 2001, respectively.

NOTE 6 - INSURANCE

The Village maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 80% coinsured.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Village of Middlefield contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employee Retirement Board. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2002 AND 2001

NOTE 7 - DEFINED BENEFIT PENSION PLANS – CONTINUED

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – CONTINUED

Plan members, other than law enforcement employees, are required to contribute 8.5 percent of their annual covered salary to Plan. The Village is required to contribute 13.55 percent for the years ending December 31, 2002 and 2001. For the year ending December 31, 2000, the Village was required to contribute 10.84 percent of covered payroll. During 2000, the Retirement Board instituted a temporary employer contribution rate rollback. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The rate rollback was 20 percent and the 2000 employee contribution rate was reduced from 13.55 percent to 10.84 percent. The Village's contributions to OPERS for the years ended December 31, 2002, 2001 and 2000 were \$100,182, \$83,763, and \$64,447, respectively, equal to the required contributions for each year.

B. OHIO POLICE AND FIRE PENSION FUND

The Village of Middlefield contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The Village of Middlefield contributions to OP&F for the years ending December 31, 2002, 2001, and 2000 were \$65,018, \$73,464, and \$61,564, respectively, equal required contributions for each year.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees' Retirement System (OPERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement systems is considered in Other Postemployment Benefits (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. During 2002, the employer contribution rate was 13.55 percent. The portion that was used to fund health care benefits in 2002 and 2001 was 5 percent and 4.3 percent, respectively.

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2002 AND 2001

NOTE 8 - POSTEMPLOYMENT BENEFITS – CONTINUED

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – CONTINUED

For 2002:

The actuarially accrued postretirement health care liability for OPERS at December 31, 2001 was \$16.4 billion. The net assets were \$11.6 billion, leaving an unfounded actuarial accrued liability of \$4.8 billion. The number of active contributing participants was 402,041. The Village's actual contributions for 2002, which were used to fund postemployment benefits, were \$36,967.

For 2001:

The actuarially accrued postretirement health care liability for OPERS at December 31, 2000 was \$14.4 billion. The net assets were \$11.8 billion, leaving an unfounded actuarial accrued liability of \$2.6 billion. The number of active contributing participants was 411,076. The Village's actual contributions for 2001, which were used to fund postemployment benefits, were \$26,582.

B. OHIO POLICE AND FIRE PENSION FUND

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty-two if attending school full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health costs paid from the funds of the OP&F shall be included in the employer's contribution rate. The contribution rate is 19.5 percent of covered payroll of which 7.75 percent, 7.50 percent, and 7.25 percent were applied to the postemployment health care program for 2002, 2001, and 2000, respectively. Health care funding and accounting is on a pay-as-you-go basis. The Board defined allocation was 7.75 percent and 7.50 percent of covered payroll in 2002 and 2001, respectively. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

For 2002:

The number of participants eligible to receive health care benefits as of December 31, 2001, the date of the last actuarial valuation available, was 13,174 for police. The Village's actual contributions for 2002 that were used to fund postemployment benefits were \$25,840 for police. The OP&F's total health care expenses for the year ending December 31, 2001, the date of the latest actuarial valuation available, were \$122,298,771, which was net of member contributions of \$6,874,699.

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2002 AND 2001

NOTE 8 - POSTEMPLOYMENT BENEFITS – CONTINUED

B. OHIO POLICE AND FIRE PENSION FUND – CONTINUED

For 2001:

The number of participants eligible to receive health care benefits as of December 31, 2000 was 12,853 for police. The Village's actual contributions for 2001 that were used to fund postemployment benefits were \$28,255 for police. The OP&F's total health care expenses for the year ending December 31, 2000, the date of the latest actuarial valuation available, were \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 9 – COMMITMENTS

During 2002, the Village of Middlefield entered into contracts with the following companies:

Burton Scot, Inc. for the reconstruction of North Thompson Street in the amount of \$892,962. As of December 31, 2002, \$30,371 was remaining on the contract.

Burton Scot, Inc. for Cemetery Improvements in the amount of \$171,738. As of December 31, 2002, \$74,121 was remaining on the contract.

Clark Construction Company for the construction of a new village service garage to replace the service garage that was destroyed by fire on September 14, 2002. The contract amount is \$177,000. As of December 31, 2002, \$162,500 was remaining on the contract.

J.S. Northeast, Inc. for the construction of a 12" water loop and water main replacement on West High Street and Woodsong Drive. The contract amount is \$472,661. As of December 31, 2002, the full contract amount was remaining.

NOTE 10 – CONTINGENCIES

The Village may be involved in a variety of litigation at various times during the year. As of December 31, 2002 and 2001 the Village had no outstanding litigation matters.



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CIUNI & PANICHI
INC.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTING FIRM

a C&P Advisors Company

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Honorable Mayor and
Members of Council
Village of Middlefield, Ohio

We have audited the financial statements of the Village of Middlefield, Ohio (the “Village”), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 21, 2003. 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.

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the Village of Middlefield in a separate letter dated March 21, 2003.



Honorable Mayor and
Members of the City Council
Village of Middlefield, Ohio

This report is intended for the information of the Village of Middlefield Council, Village Management and the Auditor of State's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Parichi, Inc.

Cleveland, Ohio
March 21, 2003

VILLAGE OF MIDDLEFIELD, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2002 AND 2001

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any material reported noncompliance at the financial statement level (GAGAS)?	No

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

None noted.

3. OTHER FINDINGS

None noted.

VILLAGE OF MIDDLEFIELD, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2002 AND 2001

Finding Number	Finding Summary	Fully Corrected?	Explanation
00-01	Per ORC Section 5705.41(D) no orders or contracts involving the expenditure of money is to be made unless there is attached a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriated fund free from any previous encumbrances.	Yes	The Village more closely monitored their purchasing procedures. In addition, "Then and Now" verbiage was added to purchase orders.
00-02	Per ORC Section 5705.39 the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.	Yes	The Village more closely monitored the appropriation and certificate procedures.

**RESPONSE TO FINDINGS ASSOCIATED WITH AUDIT CONDUCTED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001**

Not applicable.



**Auditor of State
Betty Montgomery**

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 MIDDLEFIELD

GEAUGA 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
JULY 29, 2003**