



**Auditor of State
Betty Montgomery**

VILLAGE OF MIDDLE POINT
VAN WERT COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 10, 2006

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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, Van Wert County, (the Village), as of and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

We were unable to obtain sufficient evidential matter supporting the amount reported as income tax revenue for the year ending December 31, 2003 which represents forty seven percent of general fund revenue. Also, we were unable to determine the validity of the income tax revenue through alternative procedures.

Also, 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 for fiscal year 2003, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

January 10, 2006

**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, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$12,918	\$11,941	\$24,859
Municipal Income Tax	57,027		57,027
Intergovernmental Receipts	44,545	44,764	89,309
Charges for Services	7,675	64,999	72,674
Fines, Licenses, and Permits	2,422		2,422
Earnings on Investments	916	31	947
Miscellaneous	3,876	700	4,576
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	129,379	122,435	251,814
Cash Disbursements:			
Current:			
Security of Persons and Property	12,850	63,517	76,367
Public Health Services	4,114		4,114
Community Environment	5,498		5,498
Transportation		20,002	20,002
General Government	91,529	328	91,857
Debt Service:			
Principal Payments	5,326	21,284	26,610
Interest Payments	6,678	7,104	13,782
Capital Outlay		3,750	3,750
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	125,995	115,985	241,980
Total Receipts Over Disbursements	3,384	6,450	9,834
Fund Cash Balances, January 1	24,606	77,405	102,011
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$27,990	\$83,855	\$111,845

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 - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$156,602
Operating Cash Disbursements:	
Personal Services	42,206
Fringe Benefits	6,945
Contractual Services	38,801
Supplies and Materials	8,669
Capital Outlay	24,585
Total Operating Cash Disbursements	121,206
Operating Income	35,396
Non-Operating Cash (Disbursements):	
Debt Service: Principal	(24,161)
Interest	(7,080)
Other Financing Uses	(375)
Total Non-Operating Cash (Disbursements)	(31,616)
Receipts Over Disbursements Before Interfund Transfers and Advances	3,780
Transfers-In	32,584
Transfers-Out	(32,584)
Net Receipts Over/(Under) Disbursements	3,780
Fund Cash Balances, January 1	84,576
Fund Cash Balances, December 31	\$88,356

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, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$13,365	\$10,952	\$24,317
Municipal Income Tax	63,798		63,798
Intergovernmental Receipts	42,669	35,997	78,666
Charges for Services	6,595		6,595
Fines, Licenses, and Permits	2,088	54,286	56,374
Earnings on Investments	893	117	1,010
Miscellaneous	6,858	550	7,408
	<u>136,266</u>	<u>101,902</u>	<u>238,168</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	10,861	59,809	70,670
Public Health Services	3,001		3,001
Community Environment	5,446		5,446
Transportation		20,250	20,250
General Government	111,782	321	112,103
Debt Service:			
Principal Payments	14,174		14,174
Interest Payments	6,278		6,278
Capital Outlay		158,992	158,992
	<u>151,542</u>	<u>239,372</u>	<u>390,914</u>
Total Cash Disbursements			
Total Receipts (Under) Disbursements	(15,276)	(137,470)	(152,746)
Other Financing Receipts/(Disbursements):			
Sale of Notes		146,992	146,992
Transfers-Out	(1,638)		(1,638)
Advances-In	14,130		14,130
Advances-Out	(14,130)		(14,130)
Other Financing Uses	(457)		(457)
	<u>(2,095)</u>	<u>146,992</u>	<u>144,897</u>
Total Other Financing Receipts/(Disbursements)			
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(17,371)	9,522	(7,849)
Fund Cash Balances, January 1	<u>41,977</u>	<u>67,883</u>	<u>109,860</u>
Fund Cash Balances, December 31	<u><u>\$24,606</u></u>	<u><u>\$77,405</u></u>	<u><u>\$102,011</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 - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$160,623
Operating Cash Disbursements:	
Personal Services	43,897
Fringe Benefits	9,674
Contractual Services	27,584
Supplies and Materials	27,144
Capital Outlay	10,710
Total Operating Cash Disbursements	119,009
Operating Income	41,614
Non-Operating Cash Receipts/(Disbursements):	
Earnings on Investments	106
Debt Service - Principal	(71,612)
Interest	(22,185)
Intergovernmental Receipts	14,130
Other Financing Uses	(1,177)
Total Non-Operating Cash Receipts/(Disbursements)	(80,738)
Receipts (Under) Disbursements Before Interfund Transfers and Advances	(39,124)
Transfers-In	7,509
Transfers-Out	(5,871)
Advances-In	14,130
Advances-Out	(14,130)
Net Receipts (Under) Disbursements	(37,486)
Fund Cash Balances, January 1	122,062
Fund Cash Balances, December 31	\$84,576

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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Middle Point, Van Wert County, (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, water and sewer utilities and fire protection 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds 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.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Special Revenue Fund (continued)

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

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Debt Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. A utility surcharge recorded in this fund will repay this loan.

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. Village 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.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$100,201	\$86,587
Certificates of deposit	100,000	100,000
Total deposits	\$200,201	\$186,587

Deposits: Deposits are 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, 2004 and 2003 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$129,379	\$129,379
Special Revenue	0	122,435	122,435
Enterprise	0	189,186	189,186
Total	\$0	\$441,000	\$441,000

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,822	\$125,995	\$12,827
Special Revenue	127,700	115,985	11,715
Enterprise	227,339	185,406	41,933
Total	\$493,861	\$427,386	\$66,475

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$136,266	\$136,266
Special Revenue	0	248,894	248,894
Enterprise	0	182,368	182,368
Total	\$0	\$567,528	\$567,528

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$183,194	\$153,637	\$29,557
Special Revenue	101,747	239,372	(137,625)
Enterprise	248,960	219,854	29,106
Total	\$533,901	\$612,863	(\$78,962)

During 2004 and 2003, all fund appropriations exceeded estimated resources and all expenditures exceeded appropriations as a result of the Village's failure to file the certification of available balances, file the appropriations, and obtain a certificate of estimated resources.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

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.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$659,832	2.00%
Mortgage - Community Building	93,271	7.00%
Tractor Mower Lease	7,522	4.50%
Fire Truck Lease/Purchase	125,707	4.19%
Total	<u>\$886,332</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 during the year 2014 which includes a balloon payment.

During the year 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.

During the year 2003, the Village entered into a lease purchase for a new fire truck. This lease is payable in six annual installments. Title to the fire truck transferred to the Village upon entering into the lease.

The Village also entered a five year lease/purchase for a backhoe with annual payments of \$8,448 and a \$1 buyout option. The last payment was made during 2003 and the buyout option was exercised.

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

	<u>OWDA Loan</u>	<u>Mortgage</u>	<u>Tractor Mower Lease</u>	<u>Fire Truck Lease</u>
Year ending December 31:				
2005	\$62,386	\$7,987	\$4,016	\$28,388
2006	62,386	7,987	4,017	28,388
2007	62,386	7,987	0	28,388
2008	62,386	7,987	0	28,388
2009	62,386	7,987	0	28,388
2010-2014	311,930	113,997	0	0
2015-2016	124,772	0	0	0
Total	<u>\$748,632</u>	<u>\$153,932</u>	<u>\$8,033</u>	<u>\$141,940</u>

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RETIREMENT SYSTEMS

All employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003 OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village had not made any of the employer contributions required for 2004 through December 31, 2004.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>\$2,227,808</u>	<u>\$1,871,123</u>
Members' Equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Middle Point, Van Wert County, (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 10, 2006, which was qualified for lack of evidential matter regarding 2003 income tax revenues in the general fund and, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operations 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 managements assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings and items 2004-005 through 2004-007.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions also considered material weaknesses. We consider reportable condition 2004-005 listed above to be a material weakness. In a separate letter to the Village's management dated January 10, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 thru 2004-004. In a separate letter to the Village's management dated January 10, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 10, 2006

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 733.28 states, in part, the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, a record of all the property owned by the village and the income derived there from, and of all taxes and assessments.

The Village did not account for all transactions on the books of the Village due to a loan in the amount of \$146,992 being obtained for the purchase of a fire truck and being paid directly from the bank to the company without being properly recorded on the books 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 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(1) states, in part, that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not certify to the County Auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year for 2004 and 2003.

The Village should certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in part, that 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.

The Village did not file a certificate of available balances, obtain a certificate of estimated revenue, or file an appropriation resolution for 2004 and 2003; therefore, the Village did not receive a certificate from the county auditor.

The Village should file and obtain the appropriate certificates from the County Auditor.

FINDING NUMBER 2004-004

Noncompliance Citation

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

Expenditures exceeded appropriations in all funds for 2004 and 2003 as a result of the Village's failure to file appropriations and obtain certification by the County Auditor. Failure to limit expenditures by approving appropriations and obtaining certificate by the County Auditor could result in deficit spending and deficit fund balances.

The Village should approve appropriation amounts and obtain certificate from the County Auditor. When expenditures will exceed the approved appropriation amounts, amended or supplemental appropriations need to be issued and approved by Council.

FINDING NUMBER 2004-005

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 for 2003, 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 during 2003, 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 2004-006

Reportable Condition

Monthly Bank-to-Book Reconciliation

Village personnel could not perform monthly bank-to-book reconciliations for the payroll bank account to arrive at a zero balance or otherwise identify the balance in the payroll account with amounts owed for deductions. Also, there was a reconciling item included on the general account labeled as "charges not recorded on system" which was posted to the system as part of gross payroll, transferred from the general account to the payroll account as part of gross payroll and should have been paid from the payroll checking account.

The lack of the ability to perform the monthly bank-to-book reconciliation or otherwise identify the remaining balances and reconciling items could lead to outstanding deductions being owed or additional monies being improperly transferred to or maintained in the payroll account or general account.

Village personnel should perform monthly bank reconciliations for the payroll checking accounts and should reconcile the payroll account to a zero balance or otherwise identify the remaining balances. Also, the reconciling item for charges not included on system should be eliminated from the general account reconciliation by transferring the applicable amount from the payroll account to the general account.

FINDING NUMBER 2004-007

Reportable Condition

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. Four of twelve of the EMS billings recorded on the "Payment Log" report were not supported by run sheets or other source documents presenting evidence of the details of the services performed.

The lack of source documentation to support billings and collections or the lack of an internal control structure in place regarding review of the processing of emergency medical service claims by the third party administrator could lead to loss of revenues due to the inability of Village personnel to assess the completeness of billings and collections.

Internal controls should be placed in operation 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, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC Sec. 5705.41 (D) – Failure to obtain prior certification of funds for expenditures	Yes	
2002-002	ORC Sec. 5705.39 – Appropriations exceed estimated resources	No	See finding 2004-003
2002-003	ORC Sec, 5705.36 – Failure to file an Amended Certificate of Estimated Resources	No	See finding 2004-002
2002-004	ORC Sec. 5705.41 (B) – Expenditures exceed Appropriations	No	See finding 2004-004
2002-005	ORC Sec. 5705.1 0– Significant negative fund balances	Yes	No negative fund balances noted.
2002-006	Failure to obtain documentation of controls for Third Party Administrator (SAS 70)	No	See finding 2004-007
2002-007	Failure to maintain records for income tax revenues	No	See finding 2004-005
2002-008	Failure to perform bank reconciliations	No	See finding 2004-006



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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
FEBRUARY 14, 2006**