

Village of Middleport

Meigs County, Ohio

Regular Audit

For the Year Ended December 31, 2005

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Village Council
Village of Middleport
237 Race Street
Middleport, OH 45760

We have reviewed the *Independent Auditors' Report* of the Village of Middleport, Meigs County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 Middleport is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

December 12, 2006

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Village of Middleport, Ohio
For the Year Ended December 31, 2005
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Middleport, Meigs County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Middleport, Meigs County, Ohio as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General, Distress Grant, and Refuse funds for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. 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 considering the results of the audits.

Village of Middleport
Independent Auditors' Report
Page 2

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed further in Note 3, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and implemented GASB statement No. 40, *Deposit and Investment Risk Disclosures*.



Balestra, Harr & Scherer, CPAs, Inc.
August 14, 2006

Village of Middleport
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Village's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$33,119, or 13 percent. The funds most affected by the decrease in cash and cash equivalents were the General Fund and the Fire Truck Fund. The Village had increased spending in the Security of Persons and Property as compared to 2004. The Fire Truck Fund had a decrease in property tax revenues as well as increased expenditures for repairs and maintenance.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 13 and 18 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2005 changed very little compared to 2004 as development within the Village has slowed.

A 1.5 mil operating levy placed on the November ballot failed to pass. The Village was awarded a Distress Grant in the amount of \$186,935 which was administered by our county's Grants Office. The cost of health insurance for full-time employees increased slightly. The Village was able to pay off an approximately \$31,500 balance on a 2003 loan from our local bank.

The significant business-type activities of the Village include water operation and sewer operation. The water operation has a net loss of \$30,301. The sewer operation had a net gain for the year of \$24,868.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Middleport
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental Activities

Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type Activities

The Village has two primary business-type activities: the provision of water and sewer service. Business-type activities are financed by a fee charged to the customers receiving the service.

Village of Middleport
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Distress Grant Fund, Refuse Fund and the Cemetery Endowment Fund.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three major enterprise funds: the Water Operating Fund, Sewer Operating Fund and the Water Improvement Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the Village-wide financial statements because the resources of these funds are not available to support the Village's programs.

Village of Middleport
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2005 on a cash basis. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)
Net Assets

| | Governmental Activities | Business-Type Activities | Total |
|--------------------------------------|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 223,030 | \$ 578,544 | \$ 801,574 |
| Restricted Cash and Cash Equivalents | - | 27,134 | 27,134 |
| Total Assets | \$ 223,030 | \$ 605,678 | \$ 828,708 |
| Net Assets | | | |
| Restricted for: | | | |
| Other Purposes | \$ 117,329 | \$ - | \$ 117,329 |
| Cemetery Endowment: | | | |
| Nonexpendable Portion | 87,720 | - | 87,720 |
| Expendable Portion | 4,609 | - | 4,609 |
| Unrestricted | 13,372 | 605,678 | 619,050 |
| Total Net Assets | \$ 223,030 | \$ 605,678 | \$ 828,708 |

Net assets of governmental activities decreased slightly during 2005.

- There is very slow growth in local tax receipts. Due to the slowing economy, growth has been reduced. Local wages have also not increased, resulting in little change in income tax receipts compared to last year.
- Wages increased about 5% in 2005.
- In 2005, the Village paid off a 2004 bank loan. The balance due was about \$31,500.
- Health benefit costs grew about 6 % in 2005.

Net assets of the business-type activities increased slightly in 2005, mostly in the Water Improvement Fund. No disbursements were made out of the fund during the year.

Village of Middleport
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)

Changes in Net Assets

| | Governmental Activities 2005 | Business Type Activities 2005 | Total 2005 |
|--|------------------------------------|-------------------------------------|------------------|
| Receipts: | | | |
| Program Receipts: | | | |
| Charges for Services and Sales | \$234,735 | \$589,656 | \$824,391 |
| Operating Grants and Contributions | 85,624 | - | 85,624 |
| Capital Grants and Contributions | 252,621 | - | 252,621 |
| Total Program Receipts | <u>572,980</u> | <u>589,656</u> | <u>1,162,636</u> |
| General Receipts: | | | |
| Property and Other Local Taxes | 140,504 | - | 140,504 |
| Income Taxes | 204,535 | - | 204,535 |
| Grants and Entitlements Not Restricted to Specific Programs | 109,604 | - | 109,604 |
| Notes Issued | 66,817 | 6,833 | 73,650 |
| Interest | 9,754 | - | 9,754 |
| Miscellaneous | 17,369 | 28,451 | 45,820 |
| Total General Receipts | <u>548,583</u> | <u>35,284</u> | <u>583,867</u> |
| Total Receipts | <u>1,121,563</u> | <u>624,940</u> | <u>1,746,503</u> |
| Disbursements: | | | |
| General Government | 203,040 | - | 203,040 |
| Security of Persons and Property: | 300,855 | - | 300,855 |
| Basic Utilities | 146,427 | - | 146,427 |
| Community Environment | 37 | - | 37 |
| Transportation | 84,623 | - | 84,623 |
| Capital Outlay | 253,796 | - | 253,796 |
| Debt Service | 151,904 | - | 151,904 |
| Water Operating | - | 279,283 | 279,283 |
| Sewer Operating | - | 228,135 | 228,135 |
| Swimming Pool | - | 38,313 | 38,313 |
| Cemetery Operating | - | 8,513 | 8,513 |
| Leak Insurance | - | 240 | 240 |
| Meter Deposits | - | 6,932 | 6,932 |
| Total Disbursements | <u>1,140,682</u> | <u>561,416</u> | <u>1,702,098</u> |
| Excess (Deficiency) Before Advances | (19,119) | 63,524 | 44,405 |
| Advances | (14,000) | 14,000 | - |
| Increase (Decrease) in Net Assets | <u>(33,119)</u> | <u>77,524</u> | <u>44,405</u> |
| Net Assets, January 1, 2005 | <u>256,149</u> | <u>528,154</u> | <u>784,303</u> |
| Net Assets, December 31, 2005 | <u>\$223,030</u> | <u>\$605,678</u> | <u>\$828,708</u> |

Village of Middleport
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Program receipts represent 67 percent of total receipts and are primarily comprised of charges for services and restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits.

General receipts represent 33 percent of the Village's total receipts, and of this amount, over 24 percent are property taxes and 35 percent are municipal income taxes. State and federal grants and entitlements make up the majority of the remaining balance of the Village's general receipts. The Village issued a new note for a police cruiser and refinanced an existing note, accounting for 12 percent of general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the clerk, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection, Basic Utilities is the cost of refuse services and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, security of persons and property and capital outlay, representing 18 percent, 26 percent and 22 percent of total expenses, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

| | Total Cost Of Services 2005 | Net Cost of Services 2005 |
|----------------------------------|-----------------------------------|---------------------------------|
| | <u>2005</u> | <u>2005</u> |
| General Government | \$203,040 | \$203,040 |
| Security of Persons and Property | 300,855 | 180,325 |
| Community Environment | 37 | 37 |
| Basic Utilities | 146,427 | 8,268 |
| Transportation | 84,623 | 4,547 |
| Capital Outlay | 253,796 | 19,581 |
| Debt Service | 151,904 | 151,904 |
| Total Expenses | <u>\$1,140,682</u> | <u>\$567,702</u> |

Village of Middleport
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The dependence upon property and income tax receipts is apparent as most of governmental activities are supported through these general receipts.

Business-type Activities

The water and sewer operations of the Village routinely report receipts and cash disbursements that are relatively equal. The Village is presently looking into grant sources to fund a water treatment plant.

The Government's Funds

Total governmental funds had total receipts and other financing sources of \$1,121,563 and total disbursements and other financing uses of \$1,154,682. The General Fund's revenues, although consistent in total fluctuated in Charges for Services and Licenses, Permits and Fees. The Village had a decrease in revenues from housing prisoners from other governments. The Village's shares of Mayor's Court revenues increased significantly as efforts were increased to collect outstanding fines.

The Village received federal assistance through a Distress Grant. The grant, administered by the County Grants Office, was used to make improvements to Village streets.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to conservative estimates for tax and intergovernmental receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements for the General Fund were budgeted at \$578,952 while actual disbursements were \$568,810.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Village's outstanding debt totals \$1,356,280. For further information regarding the Village's debt, refer to the Schedule Of Outstanding Debt in Note 10 to the basic financial statements.

Village of Middleport
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Current Issues

The challenge for the Village is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Susan Baker, Fiscal Officer, Village of Middleport, 237 Race Street, Middleport, Ohio 45760.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

*Statement of Net Assets- Cash Basis
December 31, 2005*

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 223,030 | \$ 578,544 | \$ 801,574 |
| Restricted Cash: | | | |
| Customer Deposits | - | 27,134 | 27,134 |
| <i>Total Assets</i> | <u>\$223,030</u> | <u>\$605,678</u> | <u>\$828,708</u> |
| Net Assets | | | |
| Restricted for: | | | |
| Other Purposes | 117,329 | - | 117,329 |
| Water Improvements | - | - | - |
| Cemetery Endowment: | | | |
| Nonexpendable Portion | 87,720 | - | 87,720 |
| Expendable Portion | 4,609 | - | 4,609 |
| Unrestricted | <u>13,372</u> | <u>\$605,678</u> | <u>619,050</u> |
| <i>Total Net Assets</i> | <u>\$223,030</u> | <u>\$ 605,678</u> | <u>\$828,708</u> |

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2005*

| | Program Cash Receipts | | | | Net (Disbursements) Receipts and Changes in Net Assets | | Total |
|---|--------------------------|-------------------------|---------------------------------------|-------------------------------------|--|-----------------------------|-------------------|
| | Cash Disbursements | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | |
| Governmental Activities | | | | | | | |
| General Government | \$ 203,040 | \$ - | \$ - | \$ - | \$ (203,040) | \$ - | \$ (203,040) |
| Security of Persons & Property | 300,855 | 96,576 | 5,548 | 18,406 | (180,325) | - | (180,325) |
| Community Environment | 37 | - | - | - | (37) | - | (37) |
| Transportation | 84,623 | - | 80,076 | - | (4,547) | - | (4,547) |
| Basic Utility Services | 146,427 | 138,159 | - | - | (8,268) | - | (8,268) |
| Capital Outlay | 253,796 | - | - | 234,215 | (19,581) | - | (19,581) |
| Debt Service: | | | | | | | |
| Redemption of Principal | 134,737 | - | - | - | (134,737) | - | (134,737) |
| Interest and Fiscal Charges | 17,167 | - | - | - | (17,167) | - | (17,167) |
| <i>Total Governmental Activities:</i> | <u>1,140,682</u> | <u>234,735</u> | <u>85,624</u> | <u>252,621</u> | <u>(567,702)</u> | <u>-</u> | <u>(567,702)</u> |
| Business Type Activity | | | | | | | |
| Water Operating | 279,283 | 239,852 | - | - | - | (39,431) | (39,431) |
| Sewer Operating | 228,135 | 244,568 | - | - | - | 16,433 | 16,433 |
| Water Improvement | - | 69,745 | - | - | - | 69,745 | 69,745 |
| Swimming Pool | 38,313 | 15,904 | - | - | - | (22,409) | (22,409) |
| Cemetery | 8,513 | 10,781 | - | - | - | 2,268 | 2,268 |
| Leak Insurance | 240 | 1,875 | - | - | - | 1,635 | 1,635 |
| Meter Deposits | 6,932 | 6,931 | - | - | - | (1) | (1) |
| <i>Total Business Type Activities:</i> | <u>561,416</u> | <u>589,656</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,240</u> | <u>28,240</u> |
| <i>Total Activities:</i> | <u>1,702,098</u> | <u>824,391</u> | <u>85,624</u> | <u>252,621</u> | <u>(567,702)</u> | <u>28,240</u> | <u>(539,462)</u> |
| General Receipts | | | | | | | |
| Property Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 61,866 | - | 61,866 |
| Street Construction, Maintenance and Repair | | | | | 26,434 | - | 26,434 |
| Fire Protection | | | | | 52,204 | - | 52,204 |
| Municipal Income Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 204,535 | - | 204,535 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 109,604 | - | 109,604 |
| Notes Issued | | | | | 66,817 | 6,833 | 73,650 |
| Interest | | | | | 9,754 | - | 9,754 |
| Miscellaneous | | | | | 17,369 | 28,451 | 45,820 |
| <i>Total General Receipts</i> | | | | | <u>548,583</u> | <u>35,284</u> | <u>583,867</u> |
| Advances | | | | | (14,000) | 14,000 | - |
| <i>Total General Receipts and Advances</i> | | | | | <u>534,583</u> | <u>49,284</u> | <u>583,867</u> |
| Change in Net Assets | | | | | (33,119) | 77,524 | 44,405 |
| <i>Net Assets Beginning of Year</i> | | | | | <u>256,149</u> | <u>528,154</u> | <u>784,303</u> |
| <i>Net Assets End of Year</i> | | | | | <u>\$ 223,030</u> | <u>\$ 605,678</u> | <u>\$ 828,708</u> |

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005*

| | <u>General</u> | <u>Distress Grant</u> | <u>Refuse</u> | <u>Cemetery Endowment</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|------------------|---------------------------|------------------|-------------------------------|---|---|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 13,372 | \$ - | \$ 32,258 | \$ 92,329 | \$ 85,071 | \$ 223,030 |
| <i>Total Assets</i> | <u>\$ 13,372</u> | <u>\$ -</u> | <u>\$ 32,258</u> | <u>\$ 92,329</u> | <u>\$ 85,071</u> | <u>\$ 223,030</u> |
| Fund Balances | | | | | | |
| Unreserved: | | | | | | |
| Undesignated (Deficit), Reported in: | | | | | | |
| General Fund | \$ 13,372 | \$ - | \$ - | \$ - | \$ - | \$ 13,372 |
| Special Revenue Funds | - | - | 32,258 | - | 85,071 | \$ 117,329 |
| Permanent Fund | - | - | - | 92,329 | - | \$ 92,329 |
| <i>Total Fund Balances</i> | <u>\$ 13,372</u> | <u>\$ -</u> | <u>\$ 32,258</u> | <u>\$ 92,329</u> | <u>\$ 85,071</u> | <u>\$ 223,030</u> |

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

*Statement of Cash Receipts, Disbursements, and
Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

| | <u>General</u> | <u>Distress Grant</u> | <u>Refuse</u> | <u>Cemetery Endowment</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|---|------------------|---------------------------|------------------|-------------------------------|---|-------------------|
| Cash Receipts: | | | | | | |
| Property and Local Taxes | \$266,401 | \$ - | \$ - | \$0 | \$78,638 | \$ 345,039 |
| Intergovernmental | 128,010 | 186,935 | - | - | 132,904 | 447,849 |
| Charges for Services | 1,450 | - | 138,159 | - | 8,925 | 148,534 |
| Licenses, Permits, and Fees | 86,201 | - | - | - | - | 86,201 |
| Earnings on Investments | 6,455 | - | - | 2,932 | 367 | 9,754 |
| Other Revenue | 9,307 | - | - | - | 8,062 | 17,369 |
| Total Cash Receipts | <u>497,824</u> | <u>186,935</u> | <u>138,159</u> | <u>2,932</u> | <u>228,896</u> | <u>1,054,746</u> |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| General Government | 166,940 | - | - | - | 36,100 | 203,040 |
| Security of Persons & Property | 300,855 | - | - | - | - | 300,855 |
| Community Environment | - | - | - | - | 37 | 37 |
| Transportation | - | - | - | - | 84,623 | 84,623 |
| Basic Utility Services | - | - | 138,205 | - | 8,222 | 146,427 |
| Capital Outlay | 19,581 | 186,935 | - | - | 47,280 | 253,796 |
| Debt Service: | | | | | | |
| Redemption of Principal | 74,869 | - | 2,558 | - | 57,310 | 134,737 |
| Interest and Fiscal Charges | 6,565 | - | - | - | 10,602 | 17,167 |
| Total Cash Disbursements | <u>568,810</u> | <u>186,935</u> | <u>140,763</u> | <u>-</u> | <u>244,174</u> | <u>1,140,682</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>(70,986)</u> | <u>-</u> | <u>(2,604)</u> | <u>2,932</u> | <u>(15,278)</u> | <u>(85,936)</u> |
| Other Financing Receipts and (Disbursements): | | | | | | |
| Sale of Notes | 66,817 | - | - | - | - | 66,817 |
| Advances-Out | (14,000) | - | - | - | - | (14,000) |
| Total Other Financing Receipts/(Disbursements) | <u>52,817</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>52,817</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>(18,169)</u> | <u>-</u> | <u>(2,604)</u> | <u>2,932</u> | <u>(15,278)</u> | <u>(33,119)</u> |
| Fund Cash Balances, January 1 | <u>31,541</u> | <u>-</u> | <u>34,862</u> | <u>89,397</u> | <u>100,349</u> | <u>256,149</u> |
| Fund Cash Balances, December 31 | <u>\$ 13,372</u> | <u>\$ -</u> | <u>\$ 32,258</u> | <u>\$ 92,329</u> | <u>\$ 85,071</u> | <u>\$ 223,030</u> |

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

Village of Middleport
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2005

| | Business-Type Activities | | | | Total Enterprise Funds |
|--|--------------------------|--------------------|----------------------|---------------------------|---------------------------|
| | Water Operating | Sewer Operating | Water Improvement | Other Enterprise Funds | |
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 148,500 | \$ 101,458 | \$ 312,508 | \$ 16,078 | \$ 578,544 |
| Restricted Cash: | | | | | |
| Customer Deposits | - | - | - | 27,134 | 27,134 |
| Total Assets | <u>\$ 148,500</u> | <u>\$ 101,458</u> | <u>\$ 312,508</u> | <u>\$ 43,212</u> | <u>\$ 605,678</u> |
| Net Assets | | | | | |
| Unrestricted | <u>\$ 148,500</u> | <u>\$ 101,458</u> | <u>\$ 312,508</u> | <u>\$ 43,212</u> | <u>\$ 605,678</u> |

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

*Statement of Cash Receipts, Disbursement, and
Changes in Fund Net Assets- Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

| | <u>Water Operating</u> | <u>Sewer Operating</u> | <u>Water Improvement</u> | <u>Other Enterprise Funds</u> | <u>Total</u> |
|--|----------------------------|----------------------------|------------------------------|---------------------------------------|-------------------|
| Operating Cash Receipts: | | | | | |
| Charges for Services | \$ 239,852 | \$ 244,568 | \$ 69,745 | \$ 34,281 | \$ 588,446 |
| Licenses, Permits, and Fees | - | - | - | 1,210 | 1,210 |
| Miscellaneous | 2,297 | 8,435 | - | 17,719 | 28,451 |
| | <u>242,149</u> | <u>253,003</u> | <u>69,745</u> | <u>53,210</u> | <u>618,107</u> |
| Operating Cash Disbursements: | | | | | |
| Personal Services | 86,287 | 79,757 | - | 22,252 | 188,296 |
| Employee Fringe Benefits | 38,617 | 33,489 | - | 4,691 | 76,797 |
| Contractual Services | 80,772 | 30,889 | - | 3,074 | 114,735 |
| Supplies and Materials | 39,210 | 25,230 | - | 17,049 | 81,489 |
| Other | 7,171 | - | - | 6,932 | 14,103 |
| Capital Outlay | 6,833 | - | - | - | 6,833 |
| | <u>258,890</u> | <u>169,365</u> | <u>-</u> | <u>53,998</u> | <u>482,253</u> |
| Operating Income/(Loss) | <u>(16,741)</u> | <u>83,638</u> | <u>69,745</u> | <u>(788)</u> | <u>135,854</u> |
| Non-Operating Receipts: | | | | | |
| Other Debt Proceeds | 6,833 | - | - | - | 6,833 |
| | <u>6,833</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,833</u> |
| Non-Operating Disbursements: | | | | | |
| Redemption of Principal | 13,099 | 45,795 | - | - | 58,894 |
| Interest and Other Fiscal Charges | 7,294 | 12,975 | - | - | 20,269 |
| | <u>20,393</u> | <u>58,770</u> | <u>-</u> | <u>-</u> | <u>79,163</u> |
| Income/(Loss) Before Interfund Transfers and Advances | (30,301) | 24,868 | 69,745 | (788) | 63,524 |
| Advances - In | - | - | - | 14,000 | 14,000 |
| Net Receipts Over/(Under) Disbursements | (30,301) | 24,868 | 69,745 | 13,212 | 77,524 |
| Net Assets, January 1 | 178,801 | 76,590 | 242,763 | 30,000 | 528,154 |
| Net Assets, December 31 | <u>\$ 148,500</u> | <u>\$ 101,458</u> | <u>\$ 312,508</u> | <u>\$ 43,212</u> | <u>\$ 605,678</u> |

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

*Statement of Fiduciary Net Assets- Cash Basis
Fiduciary Funds
December 31, 2005*

| | <u>Agency</u> |
|--|-----------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$3,046</u> |
| <i>Total Assets</i> | <u><u>\$3,046</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Other Purposes | <u>\$3,046</u> |
| <i>Total Net Assets</i> | <u><u>\$3,046</u></u> |

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

Village of Middleport
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 51,500 | \$ 61,866 | \$ 61,866 | \$ - |
| Municipal Income Tax | 195,254 | 204,535 | 204,535 | - |
| Intergovernmental | 112,210 | 128,010 | 128,010 | - |
| Charges for Services | 1,500 | 1,450 | 1,450 | - |
| Fines, Licenses & Permits | 74,350 | 86,201 | 86,201 | - |
| Earnings on Investments | 5,440 | 6,455 | 6,455 | - |
| Other Revenue | 7,940 | 9,307 | 9,307 | - |
| <i>Total receipts</i> | <u>448,194</u> | <u>497,824</u> | <u>497,824</u> | <u>-</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 185,532 | 166,673 | 166,940 | (267) |
| Security of Persons & Property | 290,703 | 311,194 | 300,855 | 10,339 |
| Capital Outlay | - | 19,581 | 19,581 | - |
| Debt Service: | | | | |
| Principal Retirement | - | 78,004 | 74,869 | 3,135 |
| Interest and Fiscal Charges | 3,500 | 3,500 | 6,565 | (3,065) |
| <i>Total Disbursements</i> | <u>479,735</u> | <u>578,952</u> | <u>568,810</u> | <u>10,142</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(31,541)</u> | <u>(81,128)</u> | <u>(70,986)</u> | <u>10,142</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Notes | - | 75,297 | 66,817 | (8,480) |
| Advances Out | - | - | (14,000) | (14,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>75,297</u> | <u>52,817</u> | <u>(22,480)</u> |
| <i>Net Change in Fund Balance</i> | (31,541) | (5,831) | (18,169) | (12,338) |
| <i>Fund Balance Beginning of Year</i> | 25,926 | 25,926 | 25,926 | - |
| Prior Year Encumbrances Appropriated | 5,615 | 5,615 | 5,615 | - |
| <i>Fund Balance End of Year</i> | <u>\$ -</u> | <u>\$ 25,710</u> | <u>\$ 13,372</u> | <u>\$ (12,338)</u> |

See accompanying notes to the basic financial statements

Village of Middleport
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Distress Grant Fund
 For the Year Ended December 31, 2005*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------|-------------------------|----------------|----------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Intergovernmental | \$ - | \$ 186,935 | \$ 186,935 | \$ - |
| <i>Total receipts</i> | <u>-</u> | <u>186,935</u> | <u>186,935</u> | <u>-</u> |
| Disbursements | | | | |
| Current: | | | | |
| Capital Outlay | | 186,935 | 186,935 | - |
| <i>Total Disbursements</i> | <u>-</u> | <u>186,935</u> | <u>186,935</u> | <u>-</u> |
| <i>Net Change in Fund Balance</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund Balance Beginning of Year</i> | - | - | - | - |
| Prior Year Encumbrances Appropriated | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund Balance End of Year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying notes to the basic financial statements

Village of Middleport
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Refuse Fund
 For the Year Ended December 31, 2005*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------|-------------------------|-----------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Charges for Services | \$ 110,000 | \$ 110,000 | \$ 138,159 | \$ 28,159 |
| <i>Total receipts</i> | <u>110,000</u> | <u>110,000</u> | <u>138,159</u> | <u>28,159</u> |
| Disbursements | | | | |
| Basic Utility Services | 138,160 | 138,205 | 138,205 | - |
| Debt Service: | | | | |
| Principal Retirement | - | 2,588 | 2,558 | 30 |
| <i>Total Disbursements</i> | <u>138,160</u> | <u>140,793</u> | <u>140,763</u> | <u>30</u> |
| <i>Net Change in Fund Balance</i> | (28,160) | (30,793) | (2,604) | 28,189 |
| <i>Fund Balance Beginning of Year</i> | 27,040 | 27,040 | 27,040 | - |
| Prior Year Encumbrances Appropriated | <u>7,822</u> | <u>7,822</u> | <u>7,822</u> | - |
| <i>Fund Balance End of Year</i> | <u>\$ 6,702</u> | <u>\$ 4,069</u> | <u>\$ 32,258</u> | <u>\$ 28,189</u> |

See accompanying notes to the basic financial statements

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

The Village of Middleport, Meigs County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government which consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village has three fire levies that support a volunteer fire department.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance, inventory, prepaids, interfund loan balances, capital assets and debt of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Distress Grant Fund, Refuse Fund and the Cemetery Endowment Fund.

General Fund – This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Distress Grant Fund – This fund received a intergovernmental grant for improvements to Village streets.

Refuse Fund – This fund receives user fees for garbage collection.

Cemetery Endowment Fund – This fund receives interest receipts from the cemetery endowment.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Water Improvement – The water improvement fund accounts for charges for services used for improvements to the water utility system.

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for Mayor's Court.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

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

During 2005, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

E. Cash and Investments (continued)

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$6,455. \$303 was credited to the Street Construction, Maintenance and Repair Fund. \$2,932 was credited to the Cemetery Endowment Fund. Other governmental funds received \$64.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent money paid for water meter deposits to be refunded to customers at a later date.

G. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for grants.

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Village had no fund balance reservations at December 31, 2005.

M. Interfund Transactions

Transfers and advances between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

The Village has elected to present its financial statements in a format consistent with Governmental Accounting Standards Board (GASB) Statements No. 34, 37 and 38, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

These statements create and amend new basic financial statements and note disclosures for reporting on the Village’s financial activities. The financial statements now include government-wide financial statements and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. GASB Statement No. 34 require GAAP reporting, however the Village presented “look alike” statements on the cash basis of accounting. The nonexpendable trust fund is now presented as a permanent fund.

The Village also implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement No. 40 had no effect on the Village’s financial statements.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Distress Grant Fund, and Refuse Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). At December 31, 2005, no outstanding encumbrances existed.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 5 – Deposits and Investments (continued)

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

At December 31, 2005, the Village's carrying balance of deposits was \$831,754.

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$669,999 of the Village's bank balance of \$869,999 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 – Income Taxes

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the actual taxes paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$3 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

| | |
|-------------------------------|---------------------|
| Real Property | |
| Residential | \$11,841,430 |
| Agriculture | 49,690 |
| Commercial/Industrial/Mineral | 4,351,800 |
| Public Utility Property | |
| Real | 6,640 |
| Personal | 1,100,730 |
| Tangible Personal Property | 901,590 |
| Total Assessed Value | <u>\$18,251,880</u> |

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$55,391.30 made by the Village and \$34,747.82 made by the plan members.

B. Ohio Police and Fire Pension Fund

The Village 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. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the year ended December 31, 2005 were \$11,713.71. The full amount has been contributed.

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 – Post employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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 service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 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 the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2002, all retirees and survivors have monthly health care contributions.

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 – Post employment Benefits (continued)

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$907.83. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,662 for police and 10,474 for firefighters.

Note 10 – Debt

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

| | Interest Rate | Balance December 31, 2004 | Additions | Reductions | Balance December 31, 2005 | Due Within One Year |
|--|------------------|---------------------------------|-----------------|------------------|---------------------------------|------------------------|
| Governmental Activities | | | | | | |
| 1998 Gen. Oblig. Note (Fire Truck) | | | | | | |
| (Original Amount \$145,000) | 5.00% | \$70,000 | \$0 | \$35,000 | \$35,000 | \$35,000 |
| 2000 Fire Truck Loan | | | | | | |
| (Original Amount \$190,000) | 5.75% | \$123,273 | \$0 | \$14,752 | \$108,521 | \$14,752 |
| 2003 Capital Lease Chipper | | | | | | |
| (Original Amount \$25,585) | 5.10% | \$13,045 | \$0 | \$5,117 | \$7,928 | \$5,117 |
| 2004 Promissory Note | | | | | | |
| (Original Amount \$31,496) | 5.00% | \$31,496 | \$0 | \$31,496 | \$0 | \$0 |
| 2005 Mark V Demolition Note (Refinanced) | | | | | | |
| (Original Amount \$47,176) | 5.25% | \$47,000 | \$47,176 | \$47,795 | \$46,381 | \$22,793 |
| 2005 PD Cruiser Note | | | | | | |
| (Original Amount \$19,641) | 5.00% | \$0 | \$19,641 | \$577 | \$19,064 | \$3,672 |
| Total Governmental Activities | | \$284,814 | \$66,817 | \$134,737 | \$216,894 | \$81,334 |
| Business-type Activities | | | | | | |
| 1967 Water Mortgage Revenue Bond | | | | | | |
| (Original Amount \$415,000) | 5.25% | \$60,000 | \$0 | \$20,000 | \$40,000 | \$20,000 |
| 1988 OWDA Loan #1749 | | | | | | |
| (Original Amount \$177,291) | 8.90% | \$107,181 | \$0 | \$11,293 | \$95,888 | \$8,313 |
| 2000 OPWC | | | | | | |
| (Original Amount \$249,999) | 2.00% | \$226,263 | \$0 | \$13,099 | \$213,164 | \$8,282 |
| 2001 OWDA Loan #3429 | | | | | | |
| (Original Amount \$470,184) | 2.00% | \$385,351 | \$0 | \$14,502 | \$370,849 | \$12,468 |
| OWDA Loan #3385 | | | | | | |
| (Original Amount \$412,652) | 6.03% | \$412,652 | \$6,833 | \$0 | \$419,485 | \$0 |
| Total Business-type Activities | | \$1,191,447 | \$6,833 | \$58,894 | \$1,139,386 | \$49,060 |

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 10 – Debt (continued)

The General Obligation Note was issued in 1998 to refinance the Farmer's Home Administration Loan (FmHA) that was issued in 1991 for the purchase of a ladder truck for the fire department. The note will be repaid in annual principal payments of \$30,000. The full faith and credit of the Village has been pledged to repay this debt.

The Fire Truck Loan was issued in 2000 to purchase a new fire truck. The loan will be repaid in annual installments of \$21,002, including interest. The full faith and credit of the Village has been pledged to repay this debt.

The Capital Lease was entered into for a Bandit Chipper in 2003. The lease will be paid in annual installments of \$5,722, including interest. The leased equipment has been pledged as collateral.

The promissory note was issued on October 9, 2004 to refinance a line of credit for the amount of \$31,496. The line of credit was used for operating purposes.

The Mark V Demolition note was reissued in 2005 to refinance a note issued in 2002. The proceeds of the notes were used to demolish an old abandoned building which was a health and safety threat within the Village.

The Cruiser Note was issued in 2005 for a cruiser for the police department. The note will be paid in monthly payments of \$371.30. The full faith and credit of the Village has been pledged to repay this debt.

The Village has an open loan (#3385) with the Ohio Water Development Authority (OWDA). This loan is for the design of water system improvements. The balance of disbursed funds at December 31, 2005 was \$412,652. The first principal payment is schedule for January 2006. The loan was not closed as of December 31, 2005, therefore no amortization is available.

The Water Mortgage Revenue Bonds were issued in 1967 for waterworks facilities improvements. The balance outstanding at December 31, 2005 was \$40,000. The trust agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village had established this fund. At December 31, 2005, the custodian held \$59,294 in assets. These assets and the related activity of the trust account are not reflected in the accompanying financial statements.

The Ohio Water Development Authority (OWDA) Loan # 1749 relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$8,372, including interest, over 25 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to a sewer lift station project. The loan will be repaid in semiannual installments of \$8,357, including interest, until the loan matures in 2022.

The Ohio Water Development Authority (OWDA) Loan # 3429 relates to a sewer lift system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$13,249.48, including interest, over 20 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of Middleport
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 11 – Debt (continued)

The following is a summary of the Village’s future annual debt service requirements:

| Year | Gen. Obligation Bond | | Water Rev. Bond | | Capital Lease Chipper | |
|--------|----------------------|----------------|-----------------|----------------|-----------------------|--------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2006 | \$35,000 | \$1,750 | \$20,000 | \$2,100 | \$5,117 | \$404 |
| 2007 | | | \$20,000 | \$1,050 | \$2,811 | \$143 |
| Totals | <u>\$35,000</u> | <u>\$1,750</u> | <u>\$40,000</u> | <u>\$3,150</u> | <u>\$7,928</u> | <u>\$547</u> |

| Year | Mark V Demo Note | | PD Cruiser Note | | Fire Truck Loan | |
|-----------|------------------|----------------|-----------------|----------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2006 | \$22,793 | \$2,435 | \$3,672 | \$884 | \$14,752 | \$6,240 |
| 2007 | \$23,588 | \$3,590 | \$3,759 | \$689 | \$18,754 | \$5,392 |
| 2008 | | | \$3,950 | \$506 | \$18,754 | \$4,313 |
| 2009 | | | \$4,157 | \$289 | \$18,754 | \$3,235 |
| 2010 | | | \$3,526 | \$85 | \$18,754 | \$2,157 |
| 2011-2015 | | | | | \$18,753 | \$1,078 |
| Totals | <u>\$46,381</u> | <u>\$6,025</u> | <u>\$19,064</u> | <u>\$2,453</u> | <u>\$108,521</u> | <u>\$22,415</u> |

| Year | OPWC | | OWDA Loan #1749 | | OWDA Loan #3429 | |
|-------------|------------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2006 | \$8,282 | \$4,263 | \$8,313 | \$7,757 | \$12,468 | \$7,417 |
| 2007 | \$13,659 | \$4,098 | \$12,511 | \$7,085 | \$22,399 | \$7,168 |
| 2008 | \$13,659 | \$3,824 | \$12,511 | \$6,073 | \$22,399 | \$6,720 |
| 2009 | \$13,659 | \$3,551 | \$12,511 | \$5,060 | \$22,399 | \$6,272 |
| 2010 | \$13,659 | \$3,278 | \$12,511 | \$4,048 | \$22,399 | \$5,824 |
| 2011 – 2015 | \$68,295 | \$12,293 | \$37,531 | \$6,072 | \$111,995 | \$22,399 |
| 2016 – 2020 | \$68,295 | \$5,463 | | | \$111,995 | \$11,199 |
| 2021 – 2025 | \$13,656 | \$273 | | | \$44,795 | \$1,344 |
| Totals | <u>\$213,164</u> | <u>\$37,043</u> | <u>\$95,888</u> | <u>\$36,095</u> | <u>\$370,849</u> | <u>\$68,343</u> |

Note 11 – Risk Management

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated tax exempt non-profit organization, governed by its member municipalities. The Pool is sponsored by the Ohio Municipal League and is administered and operated by JWF Specialty Company. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

The Village entered into a participation agreement with the Pool which provides for additional assessments to its members if contributions are insufficient to meet its obligations.

BALESTRA, HARR & SCHERER, CPAs, INC.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Middleport, Meigs County, Ohio (the Village), as of and for the year ended December 31, 2005, and have issued our report thereon dated August 14, 2006, wherein we noted the Village prepared its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America and revised its financial presentation to be comparable to the requirement of Governmental Accounting Standard Board Statements No. 34, 37, and 38 and implemented GASB Statement No. 40. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 2005-002.

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that reportable condition described above is a material weakness.

Compliance and Other Matters

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 grant agreements, 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the schedule of findings as items number 2005-001 and 2005-003.

Village of Middleport
Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based On an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards
Page 2

We also noted certain matters that we reported to management of the Village in a separate letter dated August 14, 2006.

This report is intended solely for the information and use of the audit committee, 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
August 14, 2006

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

FINDING 2005-001

Noncompliance Citation

Amended Certificates

Ohio Rev. Code, Section 5705.36(A)(2) 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. ORC Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

Actual receipts were significantly less than the estimated receipts, reducing available resources below the level of appropriations in the following funds at year end:

| | |
|--|---------|
| Street Construction, Maintenance and Repair Fund | \$5,078 |
| Fire Equipment Fund | 12,339 |
| Fire Truck Fund | 4,423 |
| Law Enforcement Trust Fund | 2,421 |
| Swimming Pool Fund | 18,423 |
| Meter Deposit Fund | 693 |

Appropriations year end exceeded available resources (actual receipts plus beginning unencumbered cash balance) in the following funds:

| | |
|----------------------------|---------|
| Fire Truck Fund | \$2,056 |
| Law Enforcement Trust Fund | 2,421 |
| Swimming Pool Fund | 18,166 |
| Meter Deposit Fund | 693 |

Since the expenditure of Village funds is based on the estimated resources, instances when actual receipts do not meet budgetary estimates could lead to overspending.

The Village Clerk should monitor estimated and actual receipts. When it is apparent that actual receipts will fall short of budgetary estimates, the Village Clerk should obtain a reduced amended certificate from the County Budget Commission. The Village Council should then make corresponding reductions in appropriations.

FINDING 2005-002

Material Weakness

The Village's books were not reconciled accurately with the bank throughout the year. This resulted in several posting errors and omissions in the accounting system.

Because of this, management was unable to determine whether their short-term and long-term decisions were financially sound.

The Village Clerk-Treasurer should perform bank reconciliations monthly and resolve all discrepancies noted in the reconciliations.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(continued)**

FINDING 2005-003

Noncompliance Citation

ORC 5705.41 (D) states in part that no orders or contracts involving the expenditure of money are to be made unless there is 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 appropriate fund free from any previous encumbrances.

The following exception to this basic requirement is provided by statute:

Then and Now Certificate – This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

70% of expenditures tested were not certified prior to the date of obligation and no then and now certificate was attached. This could lead to overspending.

The Village should certify all purchases prior to obligating funds.

Corrective Action Plan

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-----------------------------|----------------------------|
| 2005-001 | The Village will monitor budgetary activity more closely in the future. | 12/31/06 | Susan Baker, Village Clerk |
| 2005-002 | The Village Clerk will complete reconciliations on a monthly basis and resolve all discrepancies in a timely manner. | 12/31/06 | Susan Baker, Village Clerk |
| 2005-003 | Purchase orders will be completed prior to obligating funds. | 12/31/06 | Susan Baker, Village Clerk |

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2005

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|------------------|--|
| 2004-001 | ORC Section 5705.39 – Total appropriations from each fund shall not exceed the total estimated resources. | Yes | |
| 2004-002 | ORC Section 5705.36 – Subdivisions should request increased/decreased amended certificates if revenue collected is greater/less than the amount in the official certificate of estimated resources. | No | Reissued as Finding 2005-001. |
| 2004-003 | ORC Section 5705.41(D) – No orders or contracts involving the expenditure of money are to be made unless there is a certificate that the amount required has been lawfully appropriated | No | Reissued as Finding 2005-003. |
| 2004-004 | ORC Section 5705.41(B) – states that no subdivision or taxing unit is to expend money unless it has been appropriated. | Yes | |
| 2004-005 | Material Weakness – The Village’s books were not reconciled accurately with the bank throughout the year. | No | Reissued as Finding 2005-002. |



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VILLAGE OF MIDDLEPORT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 26, 2006**