



Dave Yost • Auditor of State

VILLAGE OF MIDLAND
CLINTON COUNTY

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Dave Yost • Auditor of State

Village of Midland
Clinton County County
545 Hales Branch Road
Midland, Ohio 45148

To the Village Council:

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 15, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Midland
Clinton County County
545 Hales Branch Road
Midland, Ohio 45148

To the Village Council:

We have audited the accompanying financial statements of the Village of Midland, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Auditor of State served during the years ended December 31, 2010 and 2009 as the Village's financial supervisor under Ohio Rev. Code Section 118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code Section 118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code Sections 117.11 (A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

The Village advanced \$30,000 from the Street Construction, Maintenance and Repair (SCMR) Fund to the General Fund in 2005 in violation of Auditor of State Bulletin 1997-003 and Ohio Revised Code Sections 5705.09 (F) and 5705.10. The Village made partial repayments in 2009 and 2010. Had this amount not been illegally advanced from the SCMR Fund, the effect would have been to increase the cash balance of the SCMR Fund by \$21,100 to \$72,325 in 2009 and \$8,300 to \$82,957 in 2010 and to decrease the cash balance of the General Fund by \$21,100 to (\$17,309) in 2009 and \$8,300 to (\$3,816) in 2010 as of and for the years ended December 31, 2010 and 2009.

Also, in our opinion, because of the effects of adjustments to eliminate the advance from SCMR Fund to General Fund, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances of the Village of Midland, Clinton County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As discussed in Note 8 to the financial statements, the Village has suffered recurring losses that raise substantial doubt about its ability to continue as a going concern. The Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. Note 8 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

August 15, 2011

**VILLAGE OF MIDLAND
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$17,886	\$1,936	\$19,822
Intergovernmental	13,818	28,180	41,998
Fines, Licenses and Permits	2,968	0	2,968
Miscellaneous	646	0	646
	<u>35,318</u>	<u>30,116</u>	<u>65,434</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	2,972	1,000	3,972
Basic Utility Service	459	0	459
Transportation	0	254	254
General Government	23,150	33	23,183
Capital Outlay	0	16,155	16,155
	<u>26,581</u>	<u>17,442</u>	<u>44,023</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>8,737</u>	<u>12,674</u>	<u>21,411</u>
Other Financing Receipts / (Disbursements):			
Advances-In	0	12,800	12,800
Advances-Out	(12,800)		(12,800)
Other Financing Sources	4,756		4,756
	<u>(8,044)</u>	<u>12,800</u>	<u>4,756</u>
Total Other Financing Receipts / (Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	693	25,474	26,167
Fund Cash Balances, January 1	<u>3,791</u>	<u>61,552</u>	<u>65,343</u>
Fund Cash Balances, December 31	<u><u>\$4,484</u></u>	<u><u>\$87,026</u></u>	<u><u>\$91,510</u></u>

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

**VILLAGE OF MIDLAND
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$9,048	\$1,763	\$10,811
Intergovernmental	12,939	11,707	24,646
Fines, Licenses and Permits	2,950		2,950
Miscellaneous	123		123
	<u>25,060</u>	<u>13,470</u>	<u>38,530</u>
Cash Disbursements:			
Current:			
Security of Persons and Property		1,023	1,023
Transportation		379	379
General Government	25,879		25,879
	<u>25,879</u>	<u>1,402</u>	<u>27,281</u>
Total Cash Disbursements	<u>25,879</u>	<u>1,402</u>	<u>27,281</u>
Total Receipts Over/(Under) Disbursements	<u>(819)</u>	<u>12,068</u>	<u>11,249</u>
Other Financing Receipts / (Disbursements):			
Advances-In		8,900	8,900
Advances-Out	(8,900)		(8,900)
Other Financing Sources	8,858		8,858
	<u>8,858</u>	<u>8,900</u>	<u>8,858</u>
Total Other Financing Receipts / (Disbursements)	<u>(42)</u>	<u>8,900</u>	<u>8,858</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(861)</u>	<u>20,968</u>	<u>20,107</u>
Fund Cash Balances, January 1	<u>4,652</u>	<u>40,584</u>	<u>45,236</u>
Fund Cash Balances, December 31	<u>\$3,791</u>	<u>\$61,552</u>	<u>\$65,343</u>

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

**VILLAGE OF MIDLAND
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Midland, Clinton County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street and highway maintenance. The Village contracted with the Clinton South Joint Fire District to receive fire protection services. The District ceased operations in February 2009 and the operations reverted back to Jefferson Township. (see Note 7)

The Village participates in the Ohio Municipal Joint Self Insurance Pool, a public entity risk pool. The pool provides insurance and bonding coverage for the Township. Note 6 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash Deposits

Village funds are deposited in a checking account with a local commercial bank.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

VILLAGE OF MIDLAND
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Police Levy Fund – This fund receives a levied tax for the village to provide police service.

Neighborhood Stabilization Grant Fund – This fund receives revenues restricted by the neighborhood stabilization grant for the purchase of approved property within the village.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting in 2009 and the Village did not encumber all commitments required by Ohio law in 2010.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits and Investments

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

	2010	2009
Demand deposits	<u>\$91,510</u>	<u>\$65,343</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF MIDLAND
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,448	\$40,074	\$626
Special Revenue	16,585	42,916	26,331
Total	\$56,033	\$82,990	\$26,957

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,442	\$39,381	\$61
Special Revenue	27,705	17,442	10,263
Total	\$67,147	\$56,823	\$10,324

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,448	\$33,918	(\$5,530)
Special Revenue	16,585	22,370	5,785
Total	\$56,033	\$56,288	\$255

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,190	\$34,779	(\$1,589)
Special Revenue	14,550	1,402	13,148
Total	\$47,740	\$36,181	\$11,559

4. Property Tax

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

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

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

**VILLAGE OF MIDLAND
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax (Continued)

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

5. Retirement Systems

The Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

Village council members that have elected not to belong to OPERS are members of the Social Security System. The members contributed 6.2%, of their gross salaries and the Village contributed an amount equaling 6.2%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

6. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks through March 2010:

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

During 2010, the Village insurance coverage was switched to a public entity risk pool.

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at December 31, 2009, retention levels are \$100,000 and \$150,000 for property and casualty coverage, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

**VILLAGE OF MIDLAND
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Risk Management (Continued)

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2009 and 2008 the latest information available:

	<u>2009</u>	<u>2008</u>
Assets	\$2,109,514	\$ 2,552,519
Liabilities	<u>(1,920,839)</u>	<u>(2,814,306)</u>
Accumulated deficit	<u>\$188,675</u>	<u>(\$261,787)</u>

7. Related Organizations

The constitution and laws of the State of Ohio establish the rights and privileges of the Clinton South Joint Fire District, Clinton County, Ohio (the District) as a body corporate and politic. A two-member Board of Trustees governed the District. The Village appointed one member of the two-member Board of Trustees to the Clinton South Joint Fire District. The other member was appointed by Jefferson Township. The District dissolved in February 2009.

8. Fiscal Emergency Determination

The Auditor of State, Local Government Services Division (LGS) was contacted by the Village regarding their financial difficulties and LGS is currently assisting the Village. LGS performed a fiscal analysis under the criteria established in Ohio Revised Code, Chapter 118. On November 30, 2006, the Local Government Services Division of the Auditor of State's Office issued a report to officials of the Village which details the criteria and results of the fiscal emergency review. The conclusion of this report was that a fiscal emergency existed under Sections 118.03(A)(5) and 118.03(B). The Village of Midland was declared under fiscal emergency on November 30, 2006.

On November 3, 2007, the Village Council adopted a Financial Recovery Plan. On November 4, 2008 the Village passed a 1 mill police levy.

To increase revenue, the Village officials placed a 3 mill current expense levy on the ballot. This 3 mill operating levy passed on November 3, 2009. To decrease expenses, the Village discontinued use of the VISA card and reduced material and supplies expenses.

As of July 31, 2011, the Village had the following unaudited Fund Cash Balances:

Fund	Unaudited Fund Cash Balance July 31, 2011
General	\$11,490
Special Revenue	\$85,554
Total	\$97,044

The Village officials approved balanced budgets for the December 31, 2011 fiscal year.

9. Compliance

The Village failed to create a special revenue fund for the Neighborhood Stabilization Grant and also failed to request an amended certificate for the grant revenue.

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Dave Yost • Auditor of State

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

Village of Midland
Clinton County
545 Hales Branch Road
Midland, Ohio 45148

To the Village Council:

We have audited the financial statements the Village of Midland, Clinton County, Ohio (the Village), as of and for the year ended December 31, 2010 and 2009, and have issued our report thereon dated August 15, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village has unadjusted fund balances to eliminate an illegal advance from Street Construction, Maintenance and Repair Fund to General Fund. In addition, the Auditor of State served during the year ended December 31, 2010 and 2009 as the Village's financial supervisor under Ohio Rev. Code §118.05 (G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001, 2010-002, and 2010-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-005.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 15, 2011

VILLAGE OF MIDLAND
CLINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

Illegal Advance

NONCOMPLIANCE AND MATERIAL WEAKNESS

Auditor of State Bulletin 1997-003 states that advances must be approved by a formal resolution of the taxing authority of the subdivision. This resolution must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made. Auditor of State Bulletin 1997-003 also states that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established.

In 2005, the Village Council authorized the movement of \$30,000 from the Street Construction Maintenance and Repair fund to the General fund. Although a resolution was located approving this movement of monies, the resolution labeled the transaction as a transfer and its approval was not documented in the written minute record of the Village Council. Upon further inquiry, the Auditor of State Local Governmental Services Division determined that the Village Council intended for this to be an advance. The resolution approving this transaction did not meet the requirements listed above by indicating it was an advance nor did it indicate when repayment would be made. In addition, Street Construction Maintenance and Repair fund monies are restricted for street related disbursements, and therefore the movement of \$30,000 from the Street Construction Maintenance and Repair fund to the General fund was not allowed. This Finding was reported in the 2008 audit report as Finding 2008-003. \$8,900 was repaid in 2009 and \$12,800 was repaid in 2010 leaving a balance of \$21,100 at the end of 2009 and \$8,300 at the end of 2010.

Ohio Rev. Code, Sections 5705.09(F) and 5705.10, restricts the use of Street Construction Maintenance and Repair Fund to street related disbursements. Had this amount been properly returned from the General Fund to the Street Construction Maintenance and Repair Fund, the effect would have been to increase the cash balance of the Street Construction Maintenance and Repair Fund by \$21,100 to \$72,325 in 2009 and \$8,300 to \$82,957 and to decrease the cash balance of the General Fund by \$21,100 to (\$17,309) in 2009 and \$8,300 to (\$3,816) as of and for the years ended December 31, 2009 and 2010.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund for the amount of the illegal advance remaining unpaid at December 31, 2010 in the amount of \$8,300 in favor of the Village of Midland's Street Construction Maintenance and Repair Fund.

Officials' Response:

The Village of Midland has appropriated the remaining \$8,300 balance in their 2011 budget. This balance is expected to be paid in full by year end 2011.

FINDING NUMBER 2010-002

Establishing Funds for Grants

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code, Section 5705.09, requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Ohio Rev. Code, Section 5705.10, requires all revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose is to be paid into a special fund for such purpose.

The Village was awarded a Neighborhood Stabilization Grant that was a federal grant administered by Fayette County Ohio. The grant was used to purchase a property in the Village. The granting agency made the payment at closing. The Village did not establish a special revenue fund for the grant and did not show the amount of the grant as revenue nor the purchase of the property as a disbursement.

Failure to create the special revenue fund and record the transaction resulted in an understatement of revenues and expenditures. An adjustment to the financial statement increased special revenue intergovernmental receipts and special revenue capital outlay by \$16,155.

We recommend the Village establish funds required by law and show all pass through funding on the financial statements. Posting the revenues and disbursements will provide an accurate financial statement of the Village activity.

Officials' Response:

Corrections were made including setting up the new fund for the additional property purchased in 2011.

FINDING NUMBER 2010-003

Budgetary Compliance

NONCOMPLIANCE

Ohio Rev. Code, Section 5705.36(A)(3), states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

Ohio Rev. Code, Section 5705.36(A)(5), states that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The Village obtained a Neighborhood Stabilization Grant for \$16,155. This was a pass through grant. The village did not obtain an amended Certificate which caused the appropriations to exceed the estimated resources.

**FINDING NUMBER 2010-003
(Continued)**

We recommend the Village obtain an amended certificate when the Village intends to expend excess revenues. We also recommend the Village continue to monitor the appropriations to assure compliance. Obtaining proper amended certificates and monitoring appropriations will allow the Village to be in compliance with budgetary laws and regulations.

Officials' Response:

In 2011 the Village of Midland did obtain an amended certificate for the additional property received through the Neighborhood Stabilization grant.

FINDING NUMBER 2010-004

Properly Encumbering

NONCOMPLIANCE

Ohio Rev. Code, § 5705.41(D), prohibits a subdivision or taxing entity from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2010-004
(Continued)**

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified prior to the Village incurring the obligation for 13 of 15 expenditures tested (87%) for 2009, and 4 of the 17 expenditures tested (24%) for 2010. In addition no evidence was found showing the Village followed the above mentioned exceptions. Failure to certify the availability of funds and encumber appropriations reduces management's ability to monitor available appropriations and can result in overspending funds and negative cash balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

The Village of Midland has improved and will continue improvements in this area.

FINDING NUMBER 2010-005

Classification

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Admin. Code Section 117-2-02 (A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village did not post the following transactions to the prior fund type of account codes, and therefore, they were reported in an incorrect fund type of account classification, by material amounts, on the financial statements:

**FINDING NUMBER 2010-005
 (Continued)**

Year	Item	Amount	Proper Fund/Classification	Fund/Classification Reported
2009	Cable Franchise Fees	\$2,775	General Fund - Fines, Licenses, and Permits	General Fund - Miscellaneous
2009	Finding for Recovery Repayment	8,858	General Fund - Other Financing Sources	General Fund - Miscellaneous
2009	Village Levied Permissive Tax	1,036	Permissive Motor Vehicle Levy Fund - Taxes	Permissive Motor Vehicle Levy Fund - Intergovernmental
2010	Personal Property Tax	1,096	General Fund - Intergovernmental	General Fund - Taxes
2010	Finding for Recovery Repayment	4,756	General Fund - Other Financing Sources	General Fund - Miscellaneous
2010	Personal Property Tax	256	Street Construction Maintenance Repair Fund - Intergovernmental	Street Construction Maintenance Repair Fund - Taxes

Failure to properly post transactions: 1) resulted in inaccurate financial statements, 2) reduces the accountability over Village funds, 3) reduces Council's ability to monitor financial activity and make informed financial decisions. We recommend that the fiscal officer review the chart of accounts to assure that items are being posted to the proper account codes.

We also recommend that the Fiscal Officer review the village manual and post transactions in accordance with the chart of accounts provided in the village manual. The Village officials agreed to reclassifications and adjustments to correctly report the above items, and the corrections were posted to the accompanying financial statements.

Officials' Response:

The Village of Midland moved from a manual system to the UAN accounting system. These coding errors were made during the transition to the new system. The classifications have since been corrected.

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**VILLAGE OF MIDLAND
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Rev. Code Sections, 5705.09(F), 4501.04, 5735.28, 5735.23 (C)(2)(a) motor vehicle license tax and gas tax were not posted to the proper funds	Yes	
2008-002	Ohio Rev. Code (C)(G), 731.20 The Village did not maintain the minutes	Yes	
2008-003	Ohio Rev. Code Sections 5705.09(f) and 5705.10 for illegal transfer/advance	No	Reissued as Finding 2010-001
2008-004	Ohio Rev. Code Section 733.28 and Ohio Admin. Code 117-2-02 the fiscal officer did not maintain accurate records	No	Reissued as Finding 2010-005
2008-005	The Village did not maintain an adequate system of internal controls	No	Partially corrected. Accurate posting of receipts addressed in Finding 2010-005.

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