

VILLAGE OF MIDVALE

TUSCARAWAS COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2011 & 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Village Council
Village of Midvale
3111 Barnhill Road
Midvale, Ohio 44653

We have reviewed the *Report of Independent Accountants* of the Village of Midvale, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Midvale is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 31, 2012

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VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2011 & 2010

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Midvale
Tuscarawas County
3111 Barnhill Road
P.O. Box 227
Midvale, Ohio 44653

To the Village Council:

We have audited the accompanying financial statements of the Village of Midvale (the Village), Tuscarawas County, Ohio, as of and for the years ended December 31, 2011 and 2010. 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. We believe that 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.

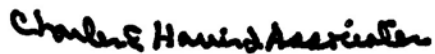
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments 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, 2011 and 2010, 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, 2011 and 2010, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Midvale, Tuscarawas County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Midvale, Tuscarawas County, Ohio adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2012, 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, 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 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.



Charles E. Harris & Associates, Inc.
July 18, 2012

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2011

	Governmental Fund Types			(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Total
RECEIPTS:				
Property and Local Taxes	\$ 11,938	\$ 36,344	\$ -	\$ 48,282
Municipal Income Tax	160,903	-	-	160,903
Intergovernmental	30,563	58,464	-	89,027
Charges for Services	-	7,610	-	7,610
Fines, Licenses and Permits	250	3,118	-	3,368
Earnings on Investments	25	6	-	31
Miscellaneous	12,025	3,997	72	16,094
Total Cash Receipts	215,704	109,539	72	325,315
DISBURSEMENTS:				
Security of Persons and Property	46,484	5,597	-	52,081
Leisure Time Activities	5,144	1,769	-	6,913
Basic Utility Services	2,748	15,982	-	18,730
Transportation	-	74,306	-	74,306
General Government	125,890	-	-	125,890
Debt Service:				
Retirement of Principal	-	2,835	-	2,835
Interest and Fiscal Charges	-	49	-	49
Total Cash Disbursements	180,266	100,538	-	280,804
Cash Receipts Over/(Under) Cash Disbursements	35,438	9,001	72	44,511
Other Financing Sources (Uses):				
Transfers-In	-	-	12,052	12,052
Transfers-Out	(12,052)	-	-	(12,052)
Total Other Financing Sources (Uses)	(12,052)	-	12,052	-
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	23,386	9,001	12,124	44,511
Fund Cash Balance, January 1, 2011	7,723	63,895	-	71,618
Fund Cash Balances, December 31, 2011				
Restricted	-	72,896	-	72,896
Committed	-	-	12,124	12,124
Unassigned	31,109	-	-	31,109
Fund Cash Balance, December 31, 2011	\$ 31,109	\$ 72,896	\$ 12,124	\$ 116,129

See Accompanying Notes to the Financial Statements

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2011

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 263,988
Total Operating Cash Receipts	263,988
 OPERATING CASH DISBURSEMENTS	
Personal Services	34,614
Employee Fringe Benefits	19,170
Contractual Services	100,356
Materials and Supplies	43,653
Total Operating Cash Disbursements	197,793
Operating Income (Loss)	66,195
 NON OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Earnings on Investments	70
Capital Outlay	(2,159)
Miscellaneous Receipts	2,281
Debt Service:	
Retirement of Principal	(22,242)
Interest and Fiscal Charges	(7,673)
Total Non Operating Cash Receipts (Disbursements)	(29,723)
Net Income (Loss)	36,472
Fund Cash Balance, January 1, 2011	183,593
Fund Cash Balance, December 31, 2011	\$ 220,065

See Accompanying Notes to the Financial Statements

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2010**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
RECEIPTS:			
Property and Local Taxes	\$ 17,063	\$ 44,713	\$ 61,776
Municipal Income Tax	151,801	-	151,801
Intergovernmental	21,814	63,097	84,911
Charges for Services	-	5,784	5,784
Fines, Licenses and Permits	464	6,685	7,149
Earnings on Investments	220	106	326
Miscellaneous	2,356	314	2,670
Total Cash Receipts	193,718	120,699	314,417
DISBURSEMENTS:			
Security of Persons and Property	71,721	5,793	77,514
Public Health Services	2,109	-	2,109
Leisure Time Activities	8,435	5,454	13,889
Basic Utility Services	3,626	15,558	19,184
Transportation	2,313	96,121	98,434
General Government	107,895	-	107,895
Capital Outlay	-	4,639	4,639
Debt Service:			
Retirement of Principal	-	5,620	5,620
Interest and Fiscal Charges	-	148	148
Total Cash Disbursements	196,099	133,333	329,432
Cash Receipts Over/(Under) Cash Disbursements	(2,381)	(12,634)	(15,015)
Fund Cash Balance, January 1, 2010	10,104	76,529	86,633
Fund Cash Balance, December 31, 2010	\$ 7,723	\$ 63,895	\$ 71,618

See Accompanying Notes to the Financial Statements

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2010**

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 221,599
Total Operating Cash Receipts	221,599
 OPERATING CASH DISBURSEMENTS	
Personal Services	44,923
Employee Fringe Benefits	24,051
Contractual Services	90,052
Materials and Supplies	42,810
Total Operating Cash Disbursements	201,836
Operating Income (Loss)	19,763
 NON OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Proceeds of Loan	512,147
Capital Outlay	(519,051)
Miscellaneous Receipts	100,101
Debt Service:	
Retirement of Principal	(12,411)
Interest and Fiscal Charges	(3,989)
Total Non Operating Cash Receipts (Disbursements)	76,797
Net Income (Loss)	96,560
Fund Cash Balance, January 1, 2010	87,033
Fund Cash Balance, December 31, 2010	\$ 183,593

See Accompanying Notes to the Financial Statements

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010**

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 Midvale, Tuscarawas County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including water utilities, park operations (leisure time activities), street maintenance services, and police services to the residents of the Village.

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

B. BASIS OF ACCOUNTING

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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. DEPOSITS AND INVESTMENTS

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

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.

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

These funds account for the proceeds of 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 and motor vehicle tax money for construction, maintenance and repair of Village streets.

Park Recreation Fund – This fund receives donations and park building rentals to fund the maintenance and repair of the park.

3. **Capital Projects Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Library Building and Startup – This fund, created in 2011, accounts for grants and donations to be used for the construction of a library within the Village.

4. **Enterprise Funds**

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

Water Operating Fund – This fund receives charges for services from residents to cover the cost of providing the utility.

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 object level 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. Unencumbered appropriations at year-end are carried over to the subsequent year.

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

E. **BUDGETARY PROCESS** – (continued)

2. **Estimated Resources**

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

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. **FUND BALANCE**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action by resolution or ordinance. The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

F. **FUND BALANCE** – (Continued)

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, ordinance, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. **PROPERTY, PLANT AND EQUIPMENT**

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

H. **ACCUMULATED LEAVE**

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

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010

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 cash and investments at December 31 was as follows:

	<u>2011</u>	<u>2010</u>
Demand Deposits	<u>\$336,194</u>	<u>\$255,211</u>
Total	<u>\$336,194</u>	<u>\$255,211</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 is as follows:

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 195,009	\$ 215,704	\$ 20,695
Special Revenue	108,723	109,539	816
Capital Projects	-	12,124	12,124
Enterprise	228,200	266,339	38,139

2011 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Total</u> <u>Appropriations</u>	<u>Budgetary</u> <u>Disbursements</u>	<u>Variance</u>
General	\$184,382	\$192,318	(\$7,936)
Special Revenue	114,601	100,538	14,063
Capital Projects	-	-	-
Enterprise	266,200	229,867	36,333

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$194,028	\$193,718	(\$310)
Special Revenue	120,698	120,699	1
Enterprise	833,848	833,847	(1)

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010

3. **BUDGETARY ACTIVITY** – (Continued)

2010 Budgeted vs. Actual Budgetary Basis Disbursements

<u>Fund Type</u>	<u>Total Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$232,871	\$196,099	\$36,772
Special Revenue	146,526	133,333	13,193
Enterprise	745,417	737,287	8,130

4. **PROPERTY TAXES**

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.

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

5. **LOCAL INCOME TAX**

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

Employers within the Village withhold income tax on employee compensation and remit tax to the Village either monthly or quarterly, as required. Corporation and individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. **DEBT**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 491,623	1.50%
Total	<u>\$ 491,623</u>	

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010**

6. DEBT – (Continued)

The Ohio Water Development Authority (OWDA) loan relates the purchase of the Village of Roswell’s water system. The OWDA issued a loan for \$512,147 to the Village for this purchase. The Village will repay the loans in semiannual installments, beginning January 1, 2011. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	<u>OWDA Principal</u>	<u>OWDA Interest</u>
2012	\$6,944	\$3,687
2013	14,045	7,218
2014	14,256	7,006
2015	14,471	6,792
2016	14,689	6,574
2017-2021	76,830	29,484
2022-2026	82,790	23,523
2027-2031	89,213	17,100
2032-2036	96,135	10,179
2037-2040	82,250	2,800
Total	<u>\$491,623</u>	<u>\$114,363</u>

7. LEASES

In 2007, the Village entered into a capital lease with John Deere Credit to obtain a backhoe to be used by the Street Department and the Water Department. The lease payments are due semi-annually, in the amount of \$5,769, and the lease will be completely paid off as of October 2012. The future minimum lease payments are as follows:

Year ending December 31:	<u>Backhoe</u>
2012	<u>\$11,538</u>
Total minimum payments required	\$11,538
Less: amount representing interest	<u>(86)</u>
Future minimum lease payments	<u>\$11,452</u>

8. RETIREMENT SYSTEM

Certain employees are required to belong to the Ohio Police and Fire Pension Fund (OP&F). All other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2011 & 2010**

8. RETIREMENT SYSTEM – (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial inland marine
- Public official's liability
- Employer's liability
- Employee benefits liability
- Law enforcement

Settled claims have not exceeded commercial coverage in the past two years. Also, there has been no significant reduction in coverage from last year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

10. INTERFUND ACTIVITY

In 2011, the Village transferred \$12,052 from the General Fund to the newly created Library Building and Startup Fund, in order to better track grants and donations to be used for the construction of a new library in the Village.

11. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (B), the Village had expenditures exceeding appropriations. Also, contrary to Ohio Revised Code Section 5705.39, the Village had appropriations exceeding estimated resources.

12. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Midvale
Tuscarawas County
3111 Barnhill Road
P.O. Box 227
Midvale, Ohio 44653

To the Village Council:

We have audited the financial statements of the Village of Midvale (the Village), Tuscarawas County, Ohio, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 18, 2012 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. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the Village of Midvale, Tuscarawas County, Ohio's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions 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 to be 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 Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-Midvale-01, 04 and 05 described in the accompanying schedule of findings to be material weaknesses.

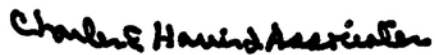
Compliance and Other Matters

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 2011-Midvale-02 through 2011-Midvale-05.

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 also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 18, 2012.

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.



Charles E. Harris and Associates, Inc.
July 18, 2012

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO

SCHEDULE OF FINDINGS
December 31, 2011 and 2010

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

Finding Number 2011-Midvale-01 Material Weakness

The Village of Midvale obtained a loan during the audit period from the Ohio Water Development Authority (OWDA) that was directly paid to contractors. The amount issued in 2010 was \$512,147. This amount was then disbursed to the Village of Roswell for the purchase of their Water System. The Village did not record the proceeds of the loans nor the capital outlay in their books.

In addition, the Village incorrectly recorded certain transactions, such as debt principal payments that were classified as interest and other disbursements that were classified as extraordinary items that were reclassified to more accurate accounts in the financial statements.

We recommend that the Village properly record all direct payments of loans in the financial statements with a corresponding entry to capital outlay. Also, we recommend all other miscellaneous activity be scrutinized and recorded in the proper accounts in the future. Village management should use the Village Officers' Handbook and other Auditor of State guidance for proper account classification.

Management's Response:

Village management will take the necessary steps to assure that all activity is recorded and that the proper account classification is used.

Finding Number 2011-Midvale-02 Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated and unless it has been appropriated as provided in such chapter.

At December 31, 2011, the following funds' expenditures exceeded total appropriations:

General Fund (\$7,936)

Special Revenue Fund:
Parks and Recreation Fund (\$1,982)

We recommend that the Village better monitor their expenditures versus total appropriations on a regular basis to avoid overspending.

Management's Response:

Village management will closely monitor expenditures and total appropriations in the future in order to avoid spending more than is appropriated.

**VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS – (Continued)
December 31, 2011 and 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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Finding Number 2011-Midvale-03 Noncompliance Citation

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

At December 31, 2010, the following funds' total appropriations exceeded total estimated resources:

General Fund (\$22,739)

Special Revenue Funds:

Law Enforcement Trust Fund (\$1,685)

We recommend that the Village better monitor their total appropriation versus total estimated resources on a regular basis in order to assure they are in compliance with this budgetary requirement.

Management's Response:

Village management will closely monitor total appropriations and total estimated resources in the future in order to avoid appropriating more than their estimated resources.

Finding Number 2011-Midvale-04 Noncompliance Citation/Material Weakness

Ohio Administrative Code Section 117-2-02 requires the government to maintain accounting records sufficient to assure accountability of entity assets. It also states that the government must have internal controls sufficient to assure that recorded transactions have occurred and are not fictitious. Further, Ohio Rev. Code §1905.21 requires the mayor of a municipal corporation and a mayor's court magistrate to keep a docket. The mayor or mayor's court magistrate should account for and dispose of all such fines, forfeitures, fees, and costs collected. Finally, Ohio Rev. Code §2335.25 requires each clerk of courts to maintain a journal or cashbook.

The Village did not have all of the required Mayor's Court records to assure they are accurately recording Mayor's Court activity for the audit period. The Village failed to use both a Mayor's Court docket and a Mayor's Court cashbook. In addition, the Village did not accurately remit the proper portions of the Mayor's Court fines to the State of Ohio. This error was noticed in 2010 and corrected with a lump sum payment to the State. They began making the proper monthly payments in 2011.

In addition, the Mayor's Court activity should be presented on the books as an Agency fund type to reflect the transactions of Mayor's Court. We noted the Village recorded the Mayor's Court activity under the Law Enforcement Trust Fund in the accounting records.

VILLAGE OF MIDVALE
TUSCARAWAS COUNTY, OHIO

SCHEDULE OF FINDINGS – (Continued)
December 31, 2011 and 2010

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</p>
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Finding Number 2011-Midvale-04 Noncompliance Citation/Material Weakness – (Continued)

The total revenue collected by the court should be posted as revenue to an Agency fund and the distributions to the Village and the State of Ohio should be posted as disbursements in the Agency fund.

We recommend that the Village establish a Mayor's Court fund under Agency fund type. We further recommend that the Village maintain both a docket and a cashbook for Mayor's Court and that they continue to properly remit the correct amounts to the State of Ohio, as required.

Management's Response:

Village management has already begun maintaining a docket and a cashbook for Mayor's Court activity. They will continue to use these items and to properly remit the correct amounts to the State of Ohio, as required. Further, they will establish and employ the use of a Mayor's Court Agency fund.

Finding Number 2011-Midvale-05 Noncompliance Citation/Material Weakness

Auditor of State Bulletin 97-003 states that advances are intended to temporarily reallocate cash from one fund to another and involve the expectation of repayment. The advancing fund (the creditor fund) must also have statutory authority to use the money for the same purpose which the fund receiving the cash (the debtor fund) was established. Also, Ohio Revised Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established.

During 2011 and 2010, we noted several advances that violate the rules discussed above. In 2010, the Village advanced \$6,000 from the Water Operating Fund to the General Fund due to a negative fund balance in the General Fund. In 2011, the Village advanced \$2,000 from the Water Savings Fund to the Parks and Recreation Fund until the Parks and Recreation Fund collected on park rental fees. Both of these advances were reversed in the accompanying financial statements.

We recommend that advances be investigated to determine if they comply with the rules discussed above. Village management can refer to Auditor of State Bulletin 97-003 for further guidance.

Management's Response:

Village management will more closely scrutinize any future advances to be certain they comply with the rules discussed above.

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Dave Yost • Auditor of State

VILLAGE OF MIDVALE

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 13, 2012