

**VILLAGE OF MIDWAY
MADISON COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Midway
13830 Main Street SW
P.O. Box 119
Sedalia, Ohio 43151-0179

We have reviewed the *Independent Accountants' Report* of the Village of Midway, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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 Midway is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 7, 2011

This page intentionally left blank.

VILLAGE OF MIDWAY
MADISON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	4
Notes to the Financial Statements	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9
Schedule of Audit Findings	11
Schedule of Prior Audit Findings	15

This page intentionally left blank.

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT ACCOUNTANTS' REPORT

September 29, 2011

Village of Midway
Madison County
13830 Main Street SW
PO Box 119
Sedalia, OH 43151-0179

To the Village Council:

We have audited the accompanying financial statements of the **Village of Midway**, Madison 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. 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 the 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 their changes in financial position 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 of the Village of Midway, Madison 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 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 September 29, 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF MIDWAY
MADISON 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>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 4,948	\$ -	\$ 4,948
Intergovernmental	35,975	8,455	44,430
Earnings on Investments	359	-	359
Miscellaneous	2,227	-	2,227
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	43,509	8,455	51,964
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	21,002	-	21,002
Leisure Time Activities	5,798	-	5,798
Basic Utility Services	3,963	-	3,963
Transportation	5,439	1,537	6,976
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	36,202	1,537	37,739
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Disbursements	7,307	6,918	14,225
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	14,978	33,693	48,671
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 22,285</u>	<u>\$ 40,611</u>	<u>\$ 62,896</u>

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

**VILLAGE OF MIDWAY
MADISON 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**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 5,675	\$ -	\$ 5,675
Intergovernmental	37,776	8,760	46,536
Earnings on Investments	1,245	-	1,245
Miscellaneous	7,249	-	7,249
	<u>51,945</u>	<u>8,760</u>	<u>60,705</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	23,723	-	23,723
Leisure Time Activities	19,183	-	19,183
Basic Utility Services	4,628	-	4,628
Transportation	4,890	4,331	9,221
	<u>52,424</u>	<u>4,331</u>	<u>56,755</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Disbursements	<u>(479)</u>	<u>4,429</u>	<u>3,950</u>
Fund Cash Balances, January 1	<u>15,457</u>	<u>29,264</u>	<u>44,721</u>
Fund Cash Balances, December 31	<u>\$ 14,978</u>	<u>\$ 33,693</u>	<u>\$ 48,671</u>

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

**VILLAGE OF MIDWAY
MADISON 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 Midway, Madison County, Ohio (the Village) as a body corporate and politic. A publicly-elected, six-member Council governs the Village. The Village provides general governmental services and park operations (leisure time activities). Range Township Fire Department provides fire protection services. Sterling Joint Ambulance District provides emergency medical services.

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 basis of accounting. 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

The Village deposits all funds in a checking account or Certificates of Deposits.

The Village values Certificates of Deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF MIDWAY
MADISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

State Highway Improvement Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Permissive Motor Vehicle License Tax Fund – This fund receives permissive vehicle license tax for maintaining and repairing Village streets.

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, and object level of control and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments, as required by Ohio law.

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.

**VILLAGE OF MIDWAY
MADISON COUNTY**

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

2. EQUITY IN POOLED DEPOSITS

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

	2010	2009
Demand Deposits	\$ 62,896	\$ 20,668
Certificates of Deposit	-	28,003
Total Deposits	\$ 62,896	\$ 48,671

Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,000	\$ 43,509	\$ 3,509
Special Revenue	7,600	8,455	855
Total	\$ 47,600	\$ 51,964	\$ 4,364

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 53,000	\$ 36,202	\$ 16,798
Special Revenue	12,050	1,537	10,513
Total	\$ 65,050	\$ 37,739	\$ 27,311

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 42,000	\$ 51,945	\$ 9,945
Special Revenue	10,050	8,760	(1,290)
Total	\$ 52,050	\$ 60,705	\$ 8,655

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 56,400	\$ 52,424	\$ 3,976
Special Revenue	22,000	4,331	17,669
Total	\$ 78,400	\$ 56,755	\$ 21,645

**VILLAGE OF MIDWAY
MADISON COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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 make semiannual payment, 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. RETIREMENT SYSTEMS

The Village's Mayor, Fiscal Officer, and employee belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, members of PERS contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

The Village Council voted not to participate in OPERS for 2010 or 2009. Village Council members did not have social security withheld during 2010 or 2009.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and Omissions

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

September 29, 2011

Village of Midway
Madison County
13830 Main Street SW
PO Box 119
Sedalia, OH 43151-0179

To the Village Council:

We have audited the financial statements of the **Village of Midway**, Madison County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 29, 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 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 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 audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

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 2010-003 and 2010-006 described in the accompanying schedule of audit findings to be material weaknesses.

Internal Control over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2010-005 and 2010-007 described in the accompanying schedule of audit findings to be significant deficiencies.

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, 2010-002 and 2010-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 29, 2011.

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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF MIDWAY
MADISON COUNTY**

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

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

FINDING NUMBER 2010-001

Noncompliance Citation

26 Code of Federal Regulations Section 1.6041-2 provides that wages, as defined in 26 United States Code Section 3401 should be reported on a Form W-2, or “all other payments of compensation” are to be reported on a form 1099”. United States 3402 states “...every employer making payments of wages shall deduct and withhold upon such wages as determined in accordance with the tables or computation procedures prescribed by the Secretary of the Treasury”.

The Village did not issue an IRS Form 1099 for independent contractor services rendered during 2010 and 2009 for which the Village paid the contractor over \$600.

The Village should issue a Form 1099 to all independent, unincorporated contractors to whom the Village pays \$600 or more in a given calendar year.

Management’s Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2010-002

Noncompliance Citation

26 U.S.C. § 3101(a) requires an employer to withhold Social Security tax from compensation paid. The Village’s Council voted not to participate in OPERS in 2010 or 2009; however, the Village Council did not have Social Security tax withheld in 2010 or 2009.

We recommend the Village withhold Social Security tax.

Management’s Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2010-003

Material Weakness

Financial Statement Presentation and Posting Errors

A monitoring system should be established by the Village Council to help prevent or detect material misstatements on the Village’s financial statements.

For the fiscal years under audit, there were errors in footing in the combined and combining statements of the annual report, and amounts had been carried forward incorrectly between the statements due to these errors. Some of the footing errors were due to rounding and some errors were due to inaccurate balances carried forward from the prior year’s financial statements. The Fiscal Officer did not accurately post receipts and expenditures to the Village’s financial statements or accounting ledgers. The following posting errors were noted

- General Fund revenue was improperly posted to Special Revenue Funds.
- Not all receipts were included in Receipts Ledger’s totals for year 2009.
- Not all receipts were posted to the Receipts Ledger in 2009.

**VILLAGE OF MIDWAY
MADISON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2010-003 (Continued)

Financial Statement Presentation and Posting Errors (Continued)

- Not all expenditures were posted to the Appropriation Ledger in 2010.
- General Fund Intergovernmental receipts were posted as Property and Other Local Taxes and Miscellaneous receipts.
- Property and Other Local Taxes were posted as Miscellaneous receipts.
- Earnings on Investments receipts were posted as Miscellaneous receipts.

Not posting revenues and expenditures accurately resulted in the financial statements requiring numerous adjustments and reclassifications. The financial statements reflect all adjustments and reclassifications.

The lack of due care in compiling the financial statements could result in errors of irregularities occurring without being detected in the normal course of business, or on a timely basis.

Diligence should be exercised in compiling the financial statements and care should be taken to ensure that the proper beginning balances are carried forward, rounding is considered and adjusted for in arriving at final totals, and proper totals are carried forward from the combining to the combined statements. When complete the statements should be double-checked for accuracy.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2010-004

Noncompliance Citation

Ohio Revised Code Section 9.38 states public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. We noted instances in which the Village deposited only once per month.

We recommend the Village take steps to ensure deposits are made timely as required by Ohio Revised Code. In addition, the Village could adopt the above-mentioned policy to allow deposits of less than \$1,000 to be deposited within three business days.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF MIDWAY
MADISON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2010-005

Significant Deficiency

Complete Voucher Packages

The completed voucher packages should be the basis for the preparation of checks. The package should include the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of the goods or services and the accuracy of the quantity and price, and a copy of the requisition or purchase order to document the fiscal officer's prior certification that sufficient appropriations and resources were available to meet the obligation.

The Village did not always present complete voucher packages to support expenditures. This practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village's Officials. We were able to obtain sufficient assurances for the expenditures through alternative procedures.

We recommend that all expenditures be supported by complete voucher packages, including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the Fiscal Officer's prior certification, to help insure that all Village expenditures are for goods or services received, properly approved, and for a proper public purpose.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2010-006

Material Weakness

Management Monitoring for Internal Control

The Village Council has not established effective internal control processes for monitoring of Village financial activity. Examples of deficiencies in monitoring controls include the following;

- Checks were signed by only one signatory
- Monthly Bank Reconciliations with supporting documentation were not presented to council
- A list of expenditures was not presented to council prior to payment
- Finance and payroll reports were not presented to Council
- Lack of a review of Annual Financial Report for accuracy prior to submission to AOS

We recommend Council establish effective internal control processes and address each of the above noted control weaknesses. This could include such things as receiving a monthly report package (budget vs. actual reports as well as revenue and expense reports), reviewing the monthly bank reconciliation and support, establishing pay rates annually, having a set time for reviewing and issuing payroll and non-payroll disbursements, and requiring two signatures on all checks. This will help Council effectively monitor the Village's financial position and will aid in the timely detection of errors or irregularities.

Management's Response - We did not receive a response from officials to this finding.

VILLAGE OF MIDWAY
MADISON COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-007

Significant Deficiency

Warrants Signed Only by Fiscal Officer

During our expenditure and payroll testing we determined that several warrants were only signed by the Fiscal Officer.

Lack of at least one council member's signature eliminates a significant internal control. Allowing one person to have total control over the disbursement function could result in the Village making inappropriate disbursements for goods or services that are not for a proper public purpose.

We recommend management ensure all checks are signed in accordance with the current policy, by both the council President and the fiscal officer. The entire voucher package should be submitted to the signing council members so they can compare the payee and amount and make sure the payment is for a proper public purpose.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF MIDWAY
MADISON 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	ORC Section 5705.41(D) – Disbursements not properly encumbered	Yes	
2008-002	OAC Section 117-2-02 (D)(4)(a) – Maintaining payroll records	Yes	
2008-003	26 Code of Federal Regulations Section 1.6041-2 – 1099’s not issued for services paid over \$600.	No	Not Corrected; Repeated as Finding 2010-001
2008-005	Receipts, expenditures, and encumbrances not accurately posted to the financial statements	No	Not Corrected; Repeated as Finding 2010-003
2008-004	26 U.S.C. Section 3101(a) – Social Security or OPERS not withheld from compensation paid.	No	Not Corrected; Repeated as Finding 2010-002

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF MIDWAY

MADISON 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 20, 2011