



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF NEW MIDDLETOWN  
MAHONING COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of New Middletown  
Mahoning County  
10711 Main Street  
New Middletown, Ohio 44442

To the Village Council:

We have audited the accompanying financial statements of the Village of New Middletown, Mahoning County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of New Middletown as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

May 31, 2002

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**VILLAGE OF NEW MIDDLETOWN  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$60,641	\$162,691		\$223,332
Special Assessments		9,671		9,671
Intergovernmental Receipts	37,223	211,323		248,546
Fines, Licenses, and Permits	32,267			32,267
Earnings on Investments	10,234	5,870		16,104
Miscellaneous	45,848	8,821		54,669
Total Cash Receipts	<u>186,213</u>	<u>398,376</u>		<u>584,589</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	10,175	271,827		282,002
Public Health Services	5,802			5,802
Leisure Time Activities	5,518			5,518
Community Environment	4,849			4,849
Transportation		42,978		42,978
General Government	117,275	8,545		125,820
Capital Outlay		85,931		85,931
Total Cash Disbursements	<u>143,619</u>	<u>409,281</u>		<u>552,900</u>
Total Receipts Over/(Under) Disbursements	<u>42,594</u>	<u>(10,905)</u>		<u>31,689</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	11,082			11,082
Advances-In		17,082		17,082
Transfers-Out		(11,082)		(11,082)
Advances-Out	(17,082)			(17,082)
Other Financing Sources		7,059		7,059
Total Other Financing Receipts/(Disbursements)	<u>(6,000)</u>	<u>13,059</u>		<u>7,059</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	36,594	2,154		38,748
Fund Cash Balances, January 1	<u>162,720</u>	<u>248,460</u>	<u>360</u>	<u>411,540</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$199,314</b></u>	<u><b>\$250,614</b></u>	<u><b>\$360</b></u>	<u><b>\$450,288</b></u>
Reserves for Encumbrances, December 31		<u>\$3,550</u>		<u>\$3,550</u>

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

**VILLAGE OF NEW MIDDLETOWN  
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$61,083	\$135,959			\$197,042
Special Assessments		9,120			9,120
Intergovernmental Receipts	33,125	147,278	140,284		320,687
Fines, Licenses, and Permits	28,969	15			28,984
Earnings on Investments	12,199	7,953			20,152
Miscellaneous	47,038	4,416			51,454
<b>Total Cash Receipts</b>	<u>182,414</u>	<u>304,741</u>	<u>140,284</u>		<u>627,439</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	2,288	188,876			191,164
Public Health Services	5,809				5,809
Leisure Time Activities	1,635				1,635
Community Environment	3,058				3,058
Transportation		40,704			40,704
General Government	117,327	7,703			125,030
Capital Outlay		39,351	140,284		179,635
<b>Total Cash Disbursements</b>	<u>130,117</u>	<u>276,634</u>	<u>140,284</u>		<u>547,035</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>52,297</u>	<u>28,107</u>			<u>80,404</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In		11,296			11,296
Advances-In	30,000	60,000	90,000		180,000
Transfers-Out	(3,664)	(7,632)			(11,296)
Advances-Out	(30,000)	(60,000)	(90,000)		(180,000)
Other Financing Sources		9,364			9,364
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(3,664)</u>	<u>13,028</u>			<u>9,364</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	48,633	41,135			89,768
Fund Cash Balances January 1	114,087	207,325		360	321,772
<b>Fund Cash Balances, December 31</b>	<u><b>\$162,720</b></u>	<u><b>\$248,460</b></u>		<u><b>\$360</b></u>	<u><b>\$411,540</b></u>
Reserves for Encumbrances, December 31	<u>\$41</u>	<u>\$43</u>			<u>\$84</u>

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

**VILLAGE OF NEW MIDDLETOWN  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of New Middletown, Mahoning County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council-mayor form of government. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations (leisure time activities) and police services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Village maintained a general operating account and a mayor's court clearing account. The Village also maintained a sweep account which is valued at cost. The investment in Star Ohio (the State Treasurer's Investment Pool) is valued at amounts reported by the State Treasurer. The repurchase agreement is valued at the amount reported by the bank.

Investments included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or 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* is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF NEW MIDDLETOWN  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Fund**

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

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

*Police Levy Fund* - This fund receives tax money from a special levy passed by the electors to provide police protection to the residents of the Village.

*Fire Fund* - This fund receives tax money from a special levy passed by the electors to provide fire protection to the residents of the Village.

**3. Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

*Issue II Sidewalk Project Fund* - This fund receives money from the State of Ohio for the construction of sidewalks on Route 170.

**4. Fiduciary Funds (Agency Funds)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

*Court Fund* - This Fund accounts for the operations of the Village Mayor's Court.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**VILLAGE OF NEW MIDDLETOWN  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Unpaid Vacation and Sick Leave**

The Village Administrator, Secretary/Court Clerk, and Police Chief are the only employees entitled to vacation leave. Vacation time may not be accumulated - it must be used in the year granted. The Police Chief is the only employee entitled to sick leave. The Police Chief is entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$ (47,388)	\$ (22,721)
Repurchase agreement (Sweep Account)	221,155	242,321
STAR Ohio	<u>276,521</u>	<u>191,940</u>
Total investments	<u>497,676</u>	<u>434,261</u>
Total deposits and investments	<u>\$ 450,288</u>	<u>\$ 411,540</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** Repurchase agreements include uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Village's name. Investments in Star Ohio are not evidenced by securities that exist in physical or book entry form.

**VILLAGE OF NEW MIDDLETOWN  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 190,210	\$ 197,295	\$ 7,085
Special Revenue	<u>397,212</u>	<u>405,435</u>	<u>8,223</u>
Total	<u>\$ 587,422</u>	<u>\$ 602,730</u>	<u>\$ 15,308</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 350,000	\$ 143,619	\$ 206,381
Special Revenue	<u>644,211</u>	<u>423,913</u>	<u>220,298</u>
Total	<u>\$ 994,211</u>	<u>\$ 567,532</u>	<u>\$ 426,679</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 203,801	\$ 182,414	\$ (21,387)
Special Revenue	355,304	325,401	(29,903)
Capital Projects	<u>220,984</u>	<u>140,284</u>	<u>(80,700)</u>
Total	<u>\$ 780,089</u>	<u>\$ 648,099</u>	<u>\$ (131,990)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 317,883	\$ 133,822	\$ 184,061
Special Revenue	562,564	284,309	278,255
Capital Projects	<u>220,984</u>	<u>140,284</u>	<u>80,700</u>
Total	<u>\$ 1,101,431</u>	<u>\$ 558,415</u>	<u>\$ 543,016</u>

**VILLAGE OF NEW MIDDLETOWN  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements 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 law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement 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 2001 and 2000, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**6. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Errors and omissions

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public officials' liability
- Vehicle

The Village also provides health insurance to full-time employees through a private carrier.

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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of New Middletown  
Mahoning County  
P.O. Box 253  
New Middletown, OH 44068

To the Village Council:

We have audited the accompanying financial statements of the Village of New Middletown, Mahoning County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported herein under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-21178-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 31, 2002.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 31, 2002.

This report is intended for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

May 31, 2002

**VILLAGE OF NEW MIDDLETOWN  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-31150-001**

Ohio Revised Code Section 5705.10 states that all revenue derived from a special levy is to be credited to special fund for the purpose for which the levy was made. Also, 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 following adjustments are reflected on the December 31, 2000 and December 31, 2001 financial statements due to the Village posting receipts to incorrect funds and line items. These audit adjustments have been posted by the Clerk to the 2002 beginning balances.

**2000**

- A. \$3,816 of Cops Fast Grant Fund monies were improperly posted to the Police Levy Fund.
- B. \$1,031 of Safe and Sober Grant Fund monies was improperly posted as follows: \$313 to the Police Levy Fund and \$728 to the Other Special Revenue Fund.
- C. Motor Vehicle License Tax receipts of \$52,178 were not properly posted to the intergovernmental line item in the Permissive Motor Vehicle License Fund.

**2001**

- A. \$3,450 of Estate Taxes were not properly posted to the intergovernmental line item in the General Fund.
- B. \$1,685 of Trailer Taxes were not properly posted to the intergovernmental line item in the General Fund
- C. \$1,295 of State Grant revenues were not properly posted to the intergovernmental line item in the General Fund.

The clerk should review the Ohio Village Officer's Handbook, the Ohio Revised Code, and the Ohio Administrative Code to ensure that receipts are posted correctly for specific purposes and in the correct funds.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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**VILLAGE OF NEW MIDDLETOWN**

**MAHONING 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  
JULY 2, 2002**