

VILLAGE OF MIDVALE
FINANCIAL STATEMENTS
Years Ended December 31, 1999 and 1998

Laura J. MacDonald, CPA, Inc.
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STATE OF OHIO
OFFICE OF THE AUDITOR

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Members of Council
Village of Midvale

We have reviewed the Independent Auditor's Report of the Village of Midvale, Tuscarawas County, prepared by Laura J. MacDonald, CPA, Inc. for the audit period January 1, 1998 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Midvale is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

February 15, 2001

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**VILLAGE OF MIDVALE
FINANCIAL STATEMENTS
Years Ended December 31, 1999 and 1998**

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Midvale
Midvale, Ohio

I have audited the accompanying financial statements of the Village of Midvale (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards 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 I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

As described 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 my 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 Midvale as of December 31, 1999 and 1998, 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, I have also issued a report dated November 16, 2000 on my consideration of the Village's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Laura J. MacDonald, CPA, Inc.
November 16, 2000

VILLAGE OF MIDVALE
 COMBINED STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCES - ALL GOVERNMENTAL FUNDS
 Year Ended December 31, 1999

	GENERAL FUND	SPECIAL REVENUE FUNDS	(Memorandum Only) TOTAL
CASH RECEIPTS			
Local taxes	\$ 166,736	\$ -	\$ 166,736
Inter governmental revenues	57,105	68,518	125,623
Charges for services	600	2,070	2,670
Fines, licenses and permits	516	-	516
Miscellaneous	9,893	2,316	12,209
	<u>234,850</u>	<u>72,904</u>	<u>307,754</u>
CASH DISBURSEMENTS			
Security of persons and property	60,269	-	60,269
Public health services	438	-	438
Leisure time activities	11,317	49,944	61,261
Basic utility	12,795	-	12,795
Transportation	3,357	44,947	48,304
General government	86,146	-	86,146
	<u>174,322</u>	<u>94,891</u>	<u>269,213</u>
EXCESS (DEFICIT) OF CASH RECEIPTS OVER CASH DISBURSEMENTS	60,528	(21,987)	38,541
OTHER FINANCING SOURCES (USES)			
Transfers in	-	23,700	23,700
Transfers out	(27,500)	-	(27,500)
TOTAL OTHER FINANCING SOURCES (USES)	(27,500)	23,700	(3,800)
EXCESS (DEFICIT) OF CASH RECEIPTS AND OTHER FINANCING SOURCES OVER CASH DISBURSEMENTS AND OTHER USES	33,028	1,713	34,741
FUND CASH BALANCES			
AT BEGINNING OF YEAR	115,602	18,058	133,660
FUND CASH BALANCES AT END OF YEAR	\$ 148,630	\$ 19,771	\$ 168,401
RESERVES FOR ENCUMBRANCES	\$ 7,409	\$ 956	\$ 8,365

Please refer to accompanying notes.

VILLAGE OF MIDVALE
 COMBINED STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCES - ALL PROPRIETARY FUND TYPES
 Year Ended December 31, 1999

	<u>ENTERPRISE FUNDS</u>	
OPERATING RECEIPTS		
Charges for services	\$ 194,687	
Miscellaneous	12,132	
		206,819
OPERATING DISBURSEMENTS		
Personal services	51,110	
Contractual services	31,672	
Supplies and materials	90,719	
Capital outlay	7,500	
		181,001
		EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS
		25,818
NON-OPERATING RECEIPTS		
Other non-operating receipts		3,860
NON-OPERATING DISBURSEMENTS		
Debt Service		(18,188)
Transfers-In	15,800	
Transfers-Out	(12,000)	
		3,800
		NET RECEIPTS OVER DISBURSEMENTS
		15,290
FUND CASH BALANCE AT BEGINNING OF YEAR		87,457
		FUND CASH BALANCE AT END OF YEAR
		\$ 102,747
		RESERVES FOR ENCUMBRANCES
		\$ 1,369

Please refer to accompanying notes.

VILLAGE OF MIDVALE
 COMBINED STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCES - ALL GOVERNMENTAL FUNDS
 Year Ended December 31, 1998

	GENERAL FUND	SPECIAL REVENUE FUNDS
CASH RECEIPTS		
Local taxes	\$ 168,956	\$ -
Intergovernmental revenues	45,593	59,096
Charges for services	600	2,690
Fines, licenses and permits	842	-
Miscellaneous	17,156	2,119
	<u>233,147</u>	<u>63,905</u>
CASH DISBURSEMENTS		
Security of persons and property	47,876	-
Public health services	742	-
Leisure time activities	10,838	36,918
Basic utility services	13,240	-
Transportation	-	40,193
General government	77,499	-
	<u>150,195</u>	<u>77,111</u>
EXCESS (DEFICIT) OF CASH RECEIPTS OVER CASH DISBURSEMENTS	82,952	(13,206)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	25,000
Transfers out	(30,283)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,283)</u>	<u>25,000</u>
EXCESS (DEFICIT) OF CASH RECEIPTS AND OTHER FINANCING SOURCES OVER CASH DISBURSEMENTS AND OTHER USES	52,669	11,794
FUND CASH BALANCES AT BEGINNING OF YEAR	<u>62,933</u>	<u>6,264</u>
FUND CASH BALANCES AT END OF YEAR	<u>\$ 115,602</u>	<u>\$ 18,058</u>
RESERVES FOR ENCUMBRANCES	<u>\$ 6,523</u>	<u>\$ 1,524</u>

Please refer to accompanying notes.

DEBT SERVICE	(Memorandum Only) TOTAL
\$ -	\$ 168,956
-	104,689
-	3,290
-	842
-	19,275
-	297,052
5,283	53,159
-	742
-	47,756
-	13,240
-	40,193
-	77,499
5,283	232,589
(5,283)	64,463
5,283	30,283
-	(30,283)
5,283	-
-	64,463
-	69,197
\$ -	\$ 133,660
\$ -	\$ 8,047

VILLAGE OF MIDVALE
 COMBINED STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCES - ALL PROPRIETARY FUND TYPES
 Year Ended December 31, 1998

	<u>ENTERPRISE FUNDS</u>	
OPERATING RECEIPTS		
Charges for services	\$ 175,652	
Miscellaneous	22,590	
		\$ 198,242
OPERATING DISBURSEMENTS		
Personal services	46,822	
Contractual services	29,905	
Supplies and materials	81,957	
		<u>158,684</u>
		39,558
		EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS
NON-OPERATING RECEIPTS		
Other non-operating receipts		3,443
NON-OPERATING DISBURSEMENTS		
Debt Service		<u>(18,817)</u>
		24,184
		NET RECEIPTS OVER DISBURSEMENTS
FUND CASH BALANCE AT BEGINNING OF YEAR		<u>63,273</u>
		FUND CASH BALANCE AT END OF YEAR
		<u>\$ 87,457</u>
		RESERVES FOR ENCUMBRANCES
		<u>\$ 9,788</u>

Please refer to accompanying notes.

**VILLAGE OF MIDVALE
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Midvale (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-person council. The Village also has an appointed three member Board of Public Affairs. The Village provides its residents with general governmental services, including water utilities, refuse collection, income tax, park operations, and police services.

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

Accounting Basis

The accompanying financial statements have been prepared on the cash 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 financial statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

Cash and Investments

The Village maintains cash deposits in checking accounts. Investments include a money market savings account in 1999 and 1998; both are valued at cost.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

The Special Revenue Funds are used to account for receipts 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 taxes and motor vehicle tax money for the purpose of constructing, maintaining and repairing Village streets.

Park Fund: This fund was established to account for the construction, and receive the proceeds for use of, the Park Recreation Center in the Village.

**VILLAGE OF MIDVALE
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998**

Enterprise Funds

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

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

Budgetary Process

The Ohio Revised Code (the Code) requires that budgets be prepared for each fund annually. Tax budgets are required to be adopted on or before July 15th of each year for the next succeeding fiscal year.

A summary of 1999 and 1998 budgetary activity appears in Note 7.

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made.

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (capital outlays) when paid. These items are not reflected as assets in the accompanying financial statements.

Unpaid Vacation and Sick Leave

Employees are entitled, in certain circumstances, to cash payments for unused vacation and sick leave 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.

**VILLAGE OF MIDVALE
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998**

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31, 1999 and 1998 is as follows:

	<u>1999</u>	<u>1998</u>
Dem and deposits	\$ 230,010	\$ 193,559
Money market funds	<u>41,138</u>	<u>27,558</u>
Total deposits & investments	<u>\$ 271,148</u>	<u>\$ 221,117</u>

As of December 31, 1999 and 1998, all deposits were either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

NOTE 3 - PROPERTY TAXES

Real property taxes become a lien on the January 1st preceding the October 1st date for which rates are adopted by the 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 financial statements as intergovernmental receipts. Payments are due to the County by December 31st. If the property owner elects to make semiannual payments, the first half is due December 31st. The second half payment is due the following June 20th.

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

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

NOTE 4 - DEBT

Debt outstanding at December 31, 1999 is as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Storage Improvement Note	\$ 120,000	6.30 %
Recreational Facility Improvement Note	<u>30,108</u>	5.75 %
Total	<u>\$ 150,108</u>	

Principal payments of \$10,000 annually are due on the Water Storage Improvement Note through 2009. The Recreational Facility Improvement Note has a one year term and is renewed annually.

VILLAGE OF MIDVALE
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

NOTE 5 – DEFINED BENEFIT PENSION PLAN

One Village employee belongs to the Police & Firemen's Disability & Pension Fund (PFDPF) and all others who qualify 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 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 1999 and 1998, the member of PFDPF contributed 10% of his wages to the PFDPF. The Village contributed an amount equal to 19.5% of his wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

NOTE 6 - RISK MANAGEMENT

The Village has obtained commercial liability insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine
- General liability
- Public Official's liability
- Employers liability
- Employee benefits liability
- Errors and omissions coverage

NOTE 7 - BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 1999 and 1998 is as follows:

<u>1999 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 199,375	\$ 234,850	\$ 35,475
Special Revenue	79,722	96,604	16,882
Enterprise	<u>222,501</u>	<u>226,479</u>	<u>3,978</u>
	<u>\$ 501,598</u>	<u>\$ 557,933</u>	<u>\$ 56,335</u>

VILLAGE OF MIDVALE
NOTES TO FINANCIAL STATEMENTS
December 31, 1999 and 1998

1999 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 230,325	\$ 209,231	\$ 21,094
Special Revenue	88,400	95,847	(7,447)
Enterprise	<u>228,822</u>	<u>212,558</u>	<u>16,264</u>
	<u>\$ 547,547</u>	<u>\$ 517,636</u>	<u>\$ 29,911</u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 186,124	\$ 233,147	\$ 47,023
Special Revenue	67,000	88,905	21,905
Debt Service	5,280	5,283	3
Enterprise	<u>190,780</u>	<u>201,685</u>	<u>10,905</u>
	<u>\$ 449,184</u>	<u>\$ 529,020</u>	<u>\$ 79,836</u>

1998 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 215,000	\$ 187,001	\$ 27,999
Special Revenue	73,666	78,635	(4,969)
Debt Service	5,283	5,283	-
Enterprise	<u>200,600</u>	<u>187,289</u>	<u>13,311</u>
	<u>\$ 494,549</u>	<u>\$ 458,208</u>	<u>\$ 36,341</u>

NOTE 8 – MATERIAL NONCOMPLIANCE

Contrary to the requirements set forth in the Ohio Administrative Code Section 117-5 the Village failed to properly maintain its books and records during the years ended December 31, 1999 and 1998. In addition, contrary to the requirements of the Ohio Revised Code Section 5705.41 (D) the Village did not properly certify expenditures during the years ended December 31, 1999 and 1998.

Laura J. MacDonald, CPA, Inc.
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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Midvale
Midvale, Ohio

I have audited the financial statements of the Village of Midvale (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued my report thereon dated November 16, 2000. I conducted my audits in accordance with generally accepted auditing standards 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 of Midvale's financial statements are free of material misstatement, I 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 my audits and, accordingly, I do not express such an opinion. The results of my tests disclosed four instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings as items 99-1, 99-2, 99-3 and 99-4.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered the Village of Midvale's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Village of Midvale's ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 99-2. I consider this condition to be a material weakness.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described in 99-2 is a material weakness.

The Village Council
Village of Midvale
Page 2

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

Laura J. MacDonald, CPA, Inc.
November 16, 2000

**VILLAGE OF MIDVALE
SCHEDULE OF FINDINGS
Year Ended December 31, 1999 and 1998**

Material Noncompliance No. 99-1:

Criteria:

Section 5705.41 (D), Ohio Revised Code states that "No subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void..."

Condition:

During fiscal 1999 and 1998, the Clerk did not certify expenditures.

Effect:

Failure to certify expenditures increases the risk that expenditures are incurred which exceed appropriated amounts.

Material Noncompliance No. 99-2

Criteria:

Chapter 117-5-18 of the Ohio Administrative Code requires that each village file an annual financial report.

Condition:

During fiscal 1999 and 1998, these reports were filed by the Village. However, the reports in many instances did not agree with the balances in the Villages appropriations and receipts ledgers.

Effect:

The annual financial reports filed by the Village for fiscal 1999 and 1998 were prepared incorrectly.

**VILLAGE OF MIDVALE
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1999 AND 1998**

Material Noncompliance No. 99-3

Criteria:

Ohio Administrative Code Chapter 117-5 provides for the uniform system of accounting which serves to identify in detail each financial transaction of the Village council, maintained through proper recording and maintenance of the cash journal, receipts ledger, and appropriations ledger. It also provides formats and instructions for the various forms and reports to be used in connection with these ledgers and journal.

Condition:

During fiscal 1999 and 1998, the Village's journal and ledgers were not maintained properly, including clerical errors, improper recording of appropriations and subsequent encumbrances and improper recording of transfers and classifications of expenditures. Clerical and classification errors were also found in corresponding forms and reports filed by the Village.

Effect:

The following conditions produced an ineffective audit trail and a material weakness in the accounting system for the Village.

Noncompliance No. 99-4

Criteria:

Ohio Revised Code Section 5705.41 (D) indicates that no subdivision or taxing unit shall make any expenditure of money unless it has been properly appropriated.

Condition:

Actual expenditures in the Special Revenue Funds exceeded budgeted expenditures by \$7,447 in 1999 and \$4,969 in 1998.

Effect:

Expenditures were incurred in 1999 and 1998 which were not properly authorized.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
MARCH 13, 2001**