



**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MIDDLE POINT
VAN WERT COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Middle Point
Van Wert County
P.O. Box 191
Middle Point, Ohio 45863

To the Village Council:

We have audited the accompanying financial statements of the Village of Middle Point (the Village), Van Wert County, as of and for the years ended December 31, 2000 and 1999. 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.

Except as discussed in paragraph four, 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.

We were not able to audit the accuracy of the amount reported as income tax revenue which represents 48 percent and 53 percent of general fund revenue, for the years ending December 31, 2000 and 1999, respectively. In addition, we were unable to determine the validity of the amount reported through alternative procedures.

In our opinion, except for the effect of such adjustment, if any, as might have been determined to be necessary had we been able to determine the validity of the amounts reported as income tax revenue, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and 1999, 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 April 18, 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 the audit committee, management, 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", written in a cursive style.

Jim Petro
Auditor of State

April 18, 2002

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$85,868	\$10,649		\$96,517
Intergovernmental Receipts	43,259	20,189	\$52,476	115,924
Charges for Services	269	23,489		23,758
Fines, Licenses, and Permits	1,726			1,726
Earnings on Investments	3,988	142		4,130
Miscellaneous	5,601	1,413		7,014
	<u>140,711</u>	<u>55,882</u>	<u>52,476</u>	<u>249,069</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	7,802	36,355		44,157
Public Health Services	2,798	324		3,122
Community Environment	800			800
Transportation		34,847		34,847
General Government	46,390			46,390
Debt Service:				
Principal Payments	18,448			18,448
Interest Payments	1,123			1,123
Capital Outlay		17,418	52,476	69,894
	<u>77,361</u>	<u>88,944</u>	<u>52,476</u>	<u>218,781</u>
Total Receipts Over/(Under) Disbursements	<u>63,350</u>	<u>(33,062)</u>		<u>30,288</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		20,000		20,000
Transfers-Out	(20,000)			(20,000)
Other Financing Uses	(1,299)			(1,299)
	<u>(21,299)</u>	<u>20,000</u>		<u>(1,299)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	42,051	(13,062)		28,989
Fund Cash Balances, January 1	<u>74,652</u>	<u>36,704</u>		<u>111,356</u>
Fund Cash Balances, December 31	<u>\$116,703</u>	<u>\$23,642</u>	<u>\$0</u>	<u>\$140,345</u>

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$153,029
Interest	\$2,952
Miscellaneous	<u>280</u>
 Total Operating Cash Receipts	 <u>156,261</u>
Operating Cash Disbursements:	
Personal Services	57,020
Contractual Services	20,794
Supplies and Materials	16,802
Capital Outlay	<u>2,851</u>
 Total Operating Cash Disbursements	 <u>97,467</u>
 Operating Income/(Loss)	 <u>58,794</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>93,724</u>
 Excess of Receipts Over/(Under) Disbursements	 (34,930)
 Fund Cash Balances, January 1	 <u>132,617</u>
 Fund Cash Balances, December 31	 <u><u>\$97,687</u></u>

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$84,906	\$11,420	\$96,326
Intergovernmental Receipts	38,626	22,146	60,772
Charges for Services	299	28,425	28,724
Fines, Licenses, and Permits	100		100
Earnings on Investments	5,213	605	5,818
Miscellaneous	12,040	7,797	19,837
	141,184	70,393	211,577
Cash Disbursements:			
Current:			
Security of Persons and Property	8,576	32,125	40,701
Public Health Services	2,430	161	2,591
Leisure Time Activities	3,000		3,000
Community Environment	224		224
Transportation		33,641	33,641
General Government	73,892		73,892
Debt Service:			
Principal Payments	10,000		10,000
Interest Payments	1,138		1,138
Capital Outlay		2,816	2,816
	99,260	68,743	168,003
Total Cash Disbursements	99,260	68,743	168,003
Total Receipts Over/(Under) Disbursements	41,924	1,650	43,574
Other Financing Receipts/(Disbursements):			
Transfers-In		2,575	2,575
Other Financing Sources	525		525
Transfers-Out	(26,386)		(26,386)
Other Financing Uses	(3,779)	(522)	(4,301)
	(29,640)	2,053	(27,587)
Total Other Financing Receipts/(Disbursements)	(29,640)	2,053	(27,587)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,284	3,703	15,987
Fund Cash Balances January 1	62,368	33,001	95,369
Fund Cash Balances, December 31	\$74,652	\$36,704	\$111,356

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$163,648
Interest	1,534
Miscellaneous	<u>234</u>
Total Operating Cash Receipts	<u>165,416</u>
Operating Cash Disbursements:	
Personal Services	59,122
Transportation	136
Contractual Services	25,600
Supplies and Materials	10,926
Capital Outlay	<u>65,666</u>
Total Operating Cash Disbursements	<u>161,450</u>
Operating Income/(Loss)	<u>3,966</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>31,193</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(27,227)
Transfers-In	<u>23,811</u>
Net Receipts Over/(Under) Disbursements	(3,416)
Fund Cash Balances, January 1	<u>136,033</u>
Fund Cash Balances, December 31	<u><u>\$132,617</u></u>

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Middle Point, Van Wert 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 is directed by a publicly-elected six-member Council. The Village provides general governmental services, water and sewer utilities, fire protection services, 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

Investments are 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.

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from 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.

Fire Fund- This fund receives revenue from contracts with other municipalities for which the Village provides fire protection services. It also receives charges for services for EMS runs.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Projects Fund

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

Issue II -The Village received a grant from the State of Ohio to repair streets within the Village.

4. 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.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this 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 fund, function or object 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. 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. The Village did not use the encumbrance method of accounting.

A summary of 2000 and 1999 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.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments (including \$300 in petty cash) at December 31, was as follows:

	2000	1999
Demand deposits	\$138,032	\$143,973
Certificates of deposit	100,000	100,000
Total deposits	\$238,032	\$243,973

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended 2000 and 1999, follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$159,488	\$140,711	(\$18,777)
Special Revenue	63,302	75,882	12,580
Capital Projects	0	52,476	52,476
Enterprise	175,947	156,261	(19,686)
Total	\$398,737	\$425,330	\$26,593

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$233,574	\$98,660	\$134,914
Special Revenue	108,205	88,944	19,261
Capital Projects	0	52,476	(52,476)
Enterprise	320,010	191,191	128,819
Total	\$661,789	\$431,271	\$230,518

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$168,795	\$141,709	(\$27,086)
Special Revenue	56,618	72,968	16,350
Enterprise	155,862	189,227	33,365
Total	<u>\$381,275</u>	<u>\$403,904</u>	<u>\$22,629</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$159,405	\$129,425	\$29,980
Special Revenue	53,900	69,265	(15,365)
Enterprise	207,393	192,643	14,750
Total	<u>\$420,698</u>	<u>\$391,333</u>	<u>\$29,365</u>

In violation of Ohio Law, certification of available funds was not obtained prior to incurring obligations. Expenditures exceeded appropriations in various funds for both 2000 and 1999. At December 31, 2000 and 1999, the Street Construction Maintenance and Repair Fund, had negative cash fund balances of \$23,440 and \$13,249, respectively.

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. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. This income is credited to the general fund.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. DEBT

Debt outstanding at December 31, 2000, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$824,345	2%
Mortgage- Community Building	98,382	7%
General Obligation Notes- Bank One	24,750	5%
Backhoe Lease	25,344	
Total	<u>\$972,821</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$31,193, including interest, over 25 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The mortgage loan relates to the purchase of a community building. The loan was issued in the Village's name in 1999, however, the Community Building Committee made the required payments through May, 2001. The Village reissued the debt with the first annual payment due in the year 2002 and the final payment in the year 2014 which includes a balloon payment.

The general obligation notes were originally issued to finance the purchase of a building and a fire truck and are reissued annually.

During the year 1999, the Village entered into a five-year lease for the purchase of a backhoe, with a \$1 buy-out at the end of the lease.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan	Mortgage	General Obligation Notes	Backhoe Lease
2001	\$31,193	\$0	\$24,750	\$8,448
2002	62,386	7,987		8,448
2003	62,386	7,987		8,448
2004	62,386	7,987		
2005	62,386	7,987		
2006 – 2010	311,928	39,937		
2011 - 2015	311,928	106,010		
2016	62,386			
Total	<u>\$966,979</u>	<u>\$177,895</u>	<u>\$24,750</u>	<u>\$25,344</u>

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RETIREMENT SYSTEMS

All employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 2000 and 1999, PERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of PERS participants' gross salaries through June 30, 2000. Commencing July 1, 2000, PERS temporarily reduced employer contributions to 8.13 percent. The contribution rate returned to 13.55 percent as of January 1, 2001. The Village has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

A. Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

9. CONTINGENT LIABILITIES

The Village is a defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

10. SUBSEQUENT EVENTS

In 2001, the Village settled a lawsuit brought against them concerning the sewer system. As a result of the settlement, the Village is responsible for paying the two plaintiffs \$3,000 and \$2,000 respectively. In addition, the two plaintiffs will not have to pay sewer fees for a period of five years. In 2002, one lawsuit was refiled against the Village, stating that the problem had not been resolved. The Village is vigorously defending the lawsuit.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Village of Middle Point
Van Wert County
P.O. Box 191
Middle Point, Ohio 45863

To the Village Council:

We have audited the accompanying financial statements of the Village of Middle Point (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 18, 2002, which was qualified because we could not confirm the accuracy of the amount reported as income tax revenues. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30281-001 through 2001-30281-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 18, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2001-30281-005 and 2001-30281-006.

**Internal Control Over Financial Reporting
(Continued)**

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 a misstatement 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. Our 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 consider to be material weaknesses. However, we believe the reportable conditions described above to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 18, 2002.

This report is intended solely for the information and use of the audit committee, 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", with a stylized flourish at the end.

Jim Petro
Auditor of State

April 18, 2002

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-30281-001

Noncompliance Citation

Prior Certification

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto, a certificate of the fiscal officer that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

An exception to this requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time the certification is being completed, sufficient funds were available or were in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant (“then and now”). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Prior certification was not obtained prior to the expenditure of the Village funds for all transactions in both the year 2000 and 1999. In addition, there was no evidence of certification that funds were available at the time of making the obligation and at the time of payment (“then and now”), nor the subsequent approval within thirty days, by Council, for all amounts greater than one thousand dollars.

The lack of proper certification could result in the Village obligating funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods and services to prevent possible overspending of resources and/or obligation of amounts in excess of specific line item appropriations.

The Village should establish procedures for obtaining certification prior to incurring an obligation, or for subsequent certification and approval as provided by the exception noted above.

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

FINDING NUMBER 2000-30281-002

Noncompliance Citation

Deficit Fund Balances

Ohio Rev. 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.

The Street Construction Maintenance and Repair Fund, had a deficit cash fund balance at December 31, 2000 and 1999, of \$23,440 and \$13,249, respectively. A negative cash fund balance in any fund indicates that money from one fund has been used to cover the expenses of another fund.

Procedures should be developed to monitor fund balances and identify those funds that may potentially fall into a negative balance. Advances may be made to cover shortfalls. Reference may be made to Audit Bulletin 97-003 for guidance.

FINDING NUMBER 2000-30281-003

Noncompliance Citation

Amended Official Certificates of Estimated Resources:

Ohio Rev. Code Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

An amended certificate was not obtained during the years 2000, or 1999, to account for actual revenue being greater than the amount contained in the official certificate of estimated resources. The amounts indicated below represent the amounts expended that were greater than the estimated resources for which an amended certificate could have been obtained:

Fund	2000	Estimated Resources	Expenditures	Expended in Excess
Street Construction, Maintenance, and Repair		\$19,370	\$48,427	\$29,057
	1999			
Street Construction, Maintenance, and Repair		\$18,906	\$36,228	\$17,322
Water Fund		62,961	93,700	30,739

Failure to obtain an amended certificate could result in appropriations and expenditures being made in excess of the certified revenue and result in deficit spending.

The Village should obtain an amended certificate of estimated resources whenever it is determined that the revenue to be collected will be greater or less than the amount certified in the prior issued certificate of estimated resources. The corresponding appropriations should also be amended accordingly.

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

FINDING NUMBER 2000-30281-004

Noncompliance Citation

Expenditures Limited by Appropriations

Ohio Rev. Code Section 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations in the following funds during the year 2000:

Fund	Appropriation	Expenditure	Excess
Street, Construction Maintenance and Repair	\$19,370	\$48,427	\$29,057
Sewer Debt Service	92,928	93,724	796
Capital Project Fund	0	52,476	52,476

Expenditures exceeded appropriations in the following funds during the year 1999:

Fund	Appropriation	Expenditure	Excess
Street, Construction Maintenance and Repair	\$18,338	\$36,228	\$17,890
Water Revenue Fund	60,854	93,700	32,846

In addition, several line items within all funds had expenditures exceeding appropriations throughout the year and at year-end for both 2000 and 1999. Amended or supplemental appropriations were not issued by the Village.

Failure to limit expenditures by the approved appropriations could result in deficit spending which could lead to deficit fund balances, which occurred in the Street, Construction Maintenance and Repair fund for both the years ended 2000 and 1999.

The Village should limit all expenditures to within the approved appropriation amounts. When expenditures will exceed the approved appropriation amounts, amended or supplemental appropriations need to be issued and approved by Council.

FINDING NUMBER 2000-30281-005

Material Weakness

Income Tax Revenues

The village computer contains an income tax software program which has not been kept up to date. The reports generated from this system are incomplete and at times inaccurate, and due to the nature and extent of these problems, personnel use the program for addresses and mailing purposes only. In addition, there was no master file showing payments by individuals, or businesses, or a master listing of taxpayers (i.e., the client should be able to provide a master listing of the accounts at any point in time along with any additions and deletions taking place during the year, by date). Also, there were no other subsidiary records maintained to track the timing and extent of collections.

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

The absence of a system to show complete, accurate and timely transactions taking place through the income tax collection process could lead to errors, or irregularities, occurring without detection in the normal course of business, or on a timely basis.

A system should be devised for tracking income tax transactions which should include:

- a. A master file of all potential taxpayers and a method to assure that additions to, and deletions from, this listing are posted on a timely basis (utility accounts and new hookups could be used as a means to assure the completeness of the master file).
- b. A listing of additions and deletions complete with dates should also be maintained;
- c. A record of each taxpayer for the given tax year showing the payment of taxes, taxes owed, dates of payments, penalties and any other information necessary to assess the completeness, accuracy and timeliness of tax receipts, and
- d. Daily, weekly or other subsidiary receipt ledgers designed to act as a control to identify receipts by taxpayer (amount, date, penalty, if necessary) and any other information necessary to accurately track receipts. These subsidiary records should then be used as a basis for posting to the master file of all taxpayers.

FINDING NUMBER 2000-30281-006

Material Weakness

Monthly Bank to Book Reconciliation

The monthly bank to book reconciliations did not reconcile for the year 2000, nor for several months of 1999.

Failure to determine the reasons that the monthly bank to book reconciliations did not reconcile, has contributed to errors occurring within the records and not being detected in a timely manner which resulted in the necessity to reconstruct the records. In addition, failure to reconcile contributed to deficit balances existing in the Street, Construction Maintenance and Repair fund at year end for both 2000 and 1999.

The Village should perform regular monthly bank reconciliations and reconcile with all the accounts in the cash journal. The reconciliation should include explanations for any adjusting factors used to reconcile the bank with the book balance.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
1998-30281-001	Transfer Approvals	Yes	The Income Tax fund was combined with the General Fund.
1998-30281-002	Expenditures in Excess of Appropriations	No	Expenditures still exceeded appropriations in several funds.
1998-30281-003	Purchase Orders	No	Will reissue cite under 5705.41(D).
1998-30281-004	Timely Deposits	No	Recommendation placed in management letter due to improvement made.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF MIDDLE POINT

VAN WERT 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
MAY 21, 2002**